

China Conch Venture Holdings Limited 中國海螺創業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 586

GLOBAL OFFERING



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Deutsche Bank Group 

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HSBC 

Joint Lead Managers

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Morgan Stanley

IMPORTANT

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

China Conch Venture Holdings Limited

中國海螺創業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 265,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 26,500,000 Shares (subject to adjustment)
Number of International Offer Shares	: 238,500,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$13.56 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 586

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

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

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on or around Thursday, December 12, 2013 and, in any event, not later than Monday, December 16, 2013. The Offer Price will be not more than HK\$13.56 per Offer Share and is currently expected to be not less than HK\$11.36 per Offer Share, unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, upon application, the maximum Offer Price of HK\$13.56 per Offer Share for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$13.56 per Offer Share.

If, for any reason, the Offer Price is not agreed by Monday, December 16, 2013 between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate and with our consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$11.36 to HK\$13.56) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) 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 Offering. Such notices will also be available on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.conchventure.com. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

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

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination" 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 U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

December 9, 2013

EXPECTED TIMETABLE

Latest time for completing electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Thursday, December 12, 2013
Application lists open ⁽³⁾	11:45 a.m. on Thursday, December 12, 2013
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Thursday, December 12, 2013
Latest time for completing payment of WHITE Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, December 12, 2013
Latest time for giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Thursday, December 12, 2013
Application lists close ⁽³⁾	12:00 noon on Thursday, December 12, 2013
Expected Price Determination Date ⁽⁵⁾	Thursday, December 12, 2013
(1) Announcement of the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on	Wednesday, December 18, 2013
(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus	Wednesday, December 18, 2013
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.conchventure.com ⁽⁶⁾ from	Wednesday, December 18, 2013
Results of allocations in the Hong Kong Public Offering will be available at www.iporeresults.com.hk with a "search by ID" function from	Wednesday, December 18, 2013

EXPECTED TIMETABLE

Dispatch of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before⁽⁷⁾⁽⁹⁾ Wednesday, December 18, 2013

Dispatch of refund cheques and e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁸⁾⁽⁹⁾ Wednesday, December 18, 2013

Dealings in the Shares on the Stock Exchange expected to commence on Thursday, December 19, 2013

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a 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 Thursday, December 12, 2013, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Thursday, December 12, 2013 and, in any event, not later than Monday, December 16, 2013. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us by Monday, December 16, 2013, the Global Offering will not proceed and will lapse.
- (6) Neither of the websites nor any of the information contained on any of those websites forms part of this prospectus.
- (7) Share certificates will only become valid at 8:00 a.m. on Thursday, December 19, 2013 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.
- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

EXPECTED TIMETABLE

- (9) Applicants who have applied on **WHITE** Application Forms or through the **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates in person from our Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, December 18, 2013 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 cheques. Applicants being individuals who is eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations which is eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies — Personal Collection — (iv) If you apply via Electronic Application Instructions to HKSCC" in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to that bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus.

The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or 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 it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Offer Shares.

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

OVERVIEW

We are an investment holding company and a large integrated provider of energy preservation and environmental protection solutions, with a plan on diversifying our solutions by offering green building materials, an alternative building materials with energy preservation and environment-friendly features. During the Track Record Period, we recorded significant profit from our investment in Conch Holdings, the largest shareholder of two leading building materials companies, namely Conch Cement and Conch Profiles. During the Track Record Period, we recorded turnover of over RMB1,000 million for each financial year, which was attributable to our operations. More than 70% of our turnover were generated from the provision of residual heat power generation solutions, and the primary focus of our energy preservation and environmental protection solutions was the cement industry. We are the second largest provider of residual heat power generation solutions for cement producers in China with a market share of 21.0% in terms of sales volume in 2012 according to the Roland Berger Report, while the market for residual heat power generation solutions for cement producers in China accounted for approximately 69.7% of the total residual heat power generation solutions market for Chinese providers. Our ability to provide customized energy preservation and environmental protection solutions supported by synergies from leading building materials companies such as Conch Cement in our investment portfolio ensures a sustainable growth.

OUR INVESTMENT HOLDING

Our investment in Conch Holdings ensures our sustainable growth and provide synergies to our operations. Conch Holdings is treated as our associate, and we have no control over the businesses, operations or financial policies of Conch Holdings, Conch Cement and Conch Profiles. Conch Cement is one of the largest cement producers in the world in terms of production capacity with its shares listed on the Stock Exchange and Shanghai Stock Exchange. As of June 30, 2013, Conch Cement had an annual clinker production capacity of 188.8 million tonnes and an annual cement production capacity of 219.1 million tonnes. Conch Profiles is one of the largest manufacturers of PVC profile and related products in China in terms of sales amount with its shares listed on the Shenzhen Stock Exchange. As of June 30, 2013, Conch Profiles had an annual PVC profile production capacity of 700,000 tonnes. During the Track Record Period, we accounted for our investment in Conch Holdings under equity method. In 2010, 2011, 2012 and the six months ended June 30, 2013, we recorded share of profit of an associate of RMB1,112.6 million, RMB2,062.9 million, RMB1,176.2 million and RMB547.4 million, respectively. Considering that the investment in Conch Holdings had always formed part of the assets of CV Investment since 2002 and up to the Reorganization and the stable source of earnings that Conch Holdings could provide to us, we included the investment in Conch Holdings as part of our assets during the Reorganization.

SUMMARY

TRANSACTIONS WITH AND SHARE OF PROFIT FROM ANHUI CONCH GROUP

We derive a substantial portion of our profit for the year/period from our equity interests in Conch Holdings, the largest shareholder of Conch Cement and Conch Profiles. Sales to Conch Cement and its affiliated companies also constitute a substantial portion of our turnover. Set forth below illustrates Conch Cement's contribution to our turnover and share of Conch Holdings' profit as a percentage of our profit for the year/period:

	Year Ended December 31,						Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Turnover	1,812,167	100.0	1,581,995	100.0	1,250,435	100.0	644,554	100.0	656,708	100.0
Other customers	1,061,774	58.6	1,021,085	64.5	919,736	73.6	486,467	75.5	290,472	44.2
Conch Cement	750,393	41.4	560,910	35.5	330,699	26.4	158,087	24.5	366,236	55.8
Profit for the year/period . .	1,557,340	100.0	2,385,606	100.0	1,416,440	100.0	674,976	100.0	681,280	100.0
Share of profits of an										
associate	1,112,615	71.4	2,062,894	86.5	1,176,249	83.0	547,172	81.1	547,411	80.4
Profit attributable to our										
operations ⁽¹⁾	444,725	28.6	322,712	13.5	240,191	17.0	127,804	18.9	133,869	19.6

(1) Profit attributable to our operations represents profit for the year/period less share of profits of an associate.

Conch Cement was our largest customer throughout the Track Record Period, sales to whom accounting for 41.4%, 35.5%, 26.4%, 24.5% and 55.8% of our turnover for 2010, 2011, 2012, and the six months ended June 30, 2012 and 2013, respectively. In the six months ended June 30, 2013, turnover from Conch Cement as a percentage of our total turnover increased from 24.5% to 55.8% primarily because (i) we finished a large number of residual heat power generation projects for Conch Cement's overseas production plants and recorded such amount as turnover; (ii) an increase in sales of vertical mills to Conch Cement in connection with its cement production lines in Western China; and (iii) we ramped up the capacity of Yangzhou Haichang Port, whose major customers included Conch Cement.

Meanwhile, share of profit of Conch Holdings accounted for approximately 71.4%, 86.5%, 83.0%, 81.1% and 80.4% of our profit for the year/period for 2010, 2011, 2012, the six months ended June 30, 2012 and 2013, respectively. Profits of Conch Holdings are primarily affected by the net profit of Conch Cement and Conch Profiles, two leading producers of building materials. Their results of operations and financial conditions are affected by a number of factors, including: (i) general economic condition in China; (ii) relevant government policies; (iii) market demand for building materials; (iv) utilization rate of their production capacities; and (v) their ability to control their respective cost of sales.

We actively seek to diversify our revenue sources as we continue to expand our business. See "— Our Expansion Plan".

OUR BUSINESS MODEL

We generated a substantial portion of our turnover through residual heat power generation and waste incineration projects under EP, EPC and BT arrangements during the Track Record Period. We provide highly customized residual heat power generation solutions from initial design to construction of residual heat power generation facilities using proprietary technologies and self-produced core equipment. We also offer innovative waste incineration solutions that effectively resolve the dioxin and heavy metal issues, two major sources of secondary pollution from conventional waste incinerators. In addition, we offer vertical mills that facilitate cement

SUMMARY

producers to enhance their production efficiency, preserve energy and reduce emissions in their production process. Meanwhile, we are also engaged in the port logistics business through the Yangzhou Haichang Port, which provides us with steady and sustainable profits. Set forth below is a breakdown of our turnover by our operating segments:

	Year Ended December 31,						Six Months Ended June 30,				
	2010		2011		2012		2012		2013		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	
	(in thousands, except for percentages)										
Energy preservation and environmental protection solutions											
Residual heat power generation . . .	1,402,607	77.4	1,197,435	75.7	923,531	73.9	501,808	77.9	499,170	76.0	
Vertical mills	366,637	20.2	278,889	17.6	157,901	12.6	90,153	14.0	93,824	14.3	
Waste incineration	42,923	2.4	86,191	5.5	93,202	7.5	22,644	3.5	—	—	
Subtotal	1,812,167	100.0	1,562,515	98.8	1,174,634	94.0	614,605	95.4	592,994	90.3	
Port logistics services	—	—	19,480	1.2	75,801	6.0	29,949	4.6	63,714	9.7	
Total	<u>1,812,167</u>	<u>100.0</u>	<u>1,581,995</u>	<u>100.0</u>	<u>1,250,435</u>	<u>100.0</u>	<u>644,554</u>	<u>100.0</u>	<u>656,708</u>	<u>100.0</u>	

OUR ENERGY PRESERVATION AND ENVIRONMENTAL PROTECTION SOLUTIONS

Our residual heat power generation solutions enable industrial companies to convert the thermal energy from their high-temperature emissions into electricity without incremental fuel. Our residual heat power generation solutions can be applied to a broad range of industries that produce high-temperature emission, including cement, steel, glass, chemicals and power plants.

Our proprietary waste incineration system involves the use of a separate gasification furnace to incinerate waste, a gaseous waste treatment system (working in conjunction with the cement kiln), a residual waste treatment system and a hazardous substances treatment system in addition to the existing cement kiln owned by our customers.

As part of our energy preservation and environmental protection solutions, we also offer vertical mills to cement plants. Our proprietary vertical mills can be applied by cement companies to enhance their production efficiency and preserve energy, and are distinguished by high operation efficiency, superior operational stability and minimum maintenance costs.

Project Development Process

We provide our residual heat power generation solutions and waste incineration solutions to our customers through different types of contractual arrangements, including EP, EPC, BT and BOT. Under the EP arrangements, we provide facility design and equipment procurement and production services, and the facility construction is undertaken by a separate contractor of our customer. Under the EPC arrangements, we also undertake the facility construction and equipment installation services, under which we subcontract to qualified contractors. BT arrangements are similar to EPC arrangements, except for payment arrangements. Going forward, we plan to actively seek for waste incineration projects under BOT arrangements with local governments. Under the BOT arrangements, we build, operate and then transfer the project to our clients. Throughout the different phases of our residual heat power generation and waste incineration projects, we work closely with our clients to design the facilities in accordance with their requirements using our proprietary residual heat power generation systems. Leveraging on our substantial industry experiences and expertise, we are able to optimize the overall design, operation efficiency, reliability of the residual heat power generation and waste incineration projects and execute our projects efficiently.

SUMMARY

Sales and Distribution

We are engaged in direct sales and do not use any third-party distributors. The majority of our residual heat power generation and waste incineration projects are secured through a competitive bidding process, while the remaining are secured through direct marketing. We provide our solutions to domestic clients as well as clients outside of China. The following table sets forth the breakdown of our turnover by our geographic end-markets:

Region	Year Ended December 31,						Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
China	1,808,576	99.8	1,484,361	93.8	835,616	66.8	414,694	64.3	528,756	80.5
South America	—	—	—	—	259,100	20.7	192,552	29.9	—	—
Asia (excluding China)	3,591	0.2	97,634	6.2	155,719	12.5	37,308	5.8	127,952	19.5
Total	1,812,167	100.0	1,581,995	100.0	1,250,435	100.0	644,554	100.0	656,708	100.0

Our Customers

Customers for our residual heat power generation solutions comprise primarily of cement companies and steel companies in China, and to a lesser extent cement companies in Thailand, Indonesia, Vietnam and Brazil. Customers for our vertical mills are primarily cement companies in China. Customers for our waste incineration solutions consist primarily of cement companies in China. Customers for our port logistics services are mainly cement companies and power plants.

During the Track Record Period, Conch Cement was our largest customer and our sales to Conch Cement amounted to RMB750.4 million, RMB560.9 million, RMB330.7 million and RMB366.2 million in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively, representing approximately 41.4%, 35.5%, 26.4% and 55.8% of our turnover for the respective periods. Our Directors confirm that all of the transactions with Conch Cement were made on an arm's-length basis with normal commercial terms comparable to the terms for sales to our other customers. Accordingly, our Directors are of the view that the transactions with Conch Cement would not distort our results of operations during the Track Record Period, nor make the historical results not reflective of its future performance.

After Sales Support and Services

We provide on-site training for the installation, commissioning, use, maintenance and operation of our residual heat power generation or waste incineration systems. The typical warranty period we provide to our customers is two years for our residual heat power generation projects and one year for our waste incineration projects, in each case initiated upon completion of the inspection for final acceptance. We believe that the typical warranty periods we provide are in line with industry practice.

Equipment, Components, Raw Materials and Subcontracting

We produce patented boilers and gasification furnaces, the core components for our residual heat power generation systems and our waste incineration systems, respectively, using our proprietary technologies. By manufacturing these core components in-house, we believe that we are able to protect our proprietary technology and ensure quality and supply. Raw materials used to manufacture boilers and gasification furnaces include cast

SUMMARY

and forged steel parts such as boiler pipes made in accordance to our specifications. We purchase other major equipment and components and raw materials for the manufacture of boilers from reputable suppliers in China.

For our residual heat power generation and waste incineration solutions, we subcontract all the construction and land work and installation to qualified third-party contractors, primarily construction and engineering companies based in China with the necessary qualifications as required by the PRC Government.

OUR FUTURE GREEN BUILDING MATERIALS BUSINESS PLAN

We have started our green building materials business to diversify our portfolio of energy preservation and environmental protection solutions. The current focus of our green building materials business is on alternative wall building materials, and the primary products we plan to produce are CCA boards and wood wool cement boards, both of which are environment-friendly and cost-efficient alternatives to traditional wall building materials. Currently, we plan to establish large scale green building materials production facilities in Wuhu, Anhui Province and Bozhou, Anhui Province, using advanced production equipment and techniques we plan to procure from Europe. As of the Latest Practicable Date, we have executed the land acquisition contract and made payment for the land for our production facilities in Bozhou, Anhui Province, and we have executed an investment agreement with the local government of Wuhu, Anhui Province and are in the process of negotiating terms of land acquisition. We are also in the process of negotiating with potential partners to form a strategic alliance for the production and sales of green building materials. We have also commenced the construction work for our Bozhou production plant. We plan to commence trial production of CCA boards at two of our production lines with an aggregate designed capacity of 16.0 million square meters per annum at Bozhou in September 2014, and two of our production lines at Wuhu with an aggregate designed capacity of 16.0 million square meters per annum by the end of 2014. Furthermore, we plan to commence trial production of CCA boards at two additional production lines at Wuhu with an aggregate designed capacity of 16.0 million square meters per annum in 2016. Meanwhile, we expect to commence commercial production of wood wool cement boards with a total of four production lines with an aggregate designed capacity of 600,000 cubic meters per annum by mid-2015.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

- Large integrated provider of energy preservation and environmental protection solutions enjoying sustainable growth;
- Robust demands for our energy preservation and environmental protection solutions;
- Technological leadership and strong research and development capabilities;
- Early mover in the green building materials market with significant growth prospects; and
- Dedicated and highly experienced management team.

SUMMARY

OUR STRATEGIES

We plan to further diversify our suite of energy preservation and environmental protection solutions and strengthen our solutions on offer. We aim to become a leading integrated provider of energy preservation and environmental protection solutions by implementing the following strategies:

- Accelerate the development of our green building materials business;
- Expand and further develop the end markets of our waste incineration solutions;
- Strengthen our leading market position and expand end-applications of our residual heat power generation solutions; and
- Complement our operations with selected and prudent acquisitions.

OUR EXPANSION PLAN

We plan to expand our business operations and diversify our revenue sources based on the following plans:

- We plan to actively expand the geographical end market for our residual heat power generation solution outside of China, where Conch Cement's production lines account for a much fewer portion of the total cement production lines. We also actively seek to expand the end application markets of our residual heat power generation solutions beyond the cement industry.
- We plan to actively seek for cement kiln waste incineration projects under BOT arrangements with local governments. We believe that the BOT arrangement for cement kiln waste incineration projects presents a compelling value proposition to the local governments for small- to mid-sized cities as such arrangement enables the local governments to effectively resolve the local waste management issues without heavy capital investments. We also believe that the cement plants will be willing to cooperate with the local governments as well, primarily because that once the cement kiln is used for waste incineration, the local government is less likely to order a capacity reduction or suspend the production or utilities supply.
- We are in the process of expanding into the green building material business. We currently plan to invest approximately RMB1.5 billion to establish production facilities for CCA boards and wood wool cement boards.
- We plan to continue to ramp up the capacity of Yangzhou Haichang Port, and in view of the outlook of the cement industry, we expect to attract more customers other than cement companies.

See "Business — Our Strategies" for further details about our plans to expand our current business operations and diversify our revenue sources.

OUR SHAREHOLDING STRUCTURE

Upon completion of the Reorganization, our Shareholders were HLGH Investment, HLGH Fixed Investment, BMGH Investment, XCGH Investment, NGGH Investment (which are the trust asset companies of the SA BVI Trusts), investment holding companies of the Individual Owners and the Pre-IPO Investors. Please refer to the section headed "History, Development and Reorganization" of this prospectus for further details of the shareholding structure of our Company.

SUMMARY

Our Controlling Shareholders are (i) HLGH Investment, (ii) HLGH Fixed Investment, (iii) HLGH PTC (which is the sole owner of each of HLGH Investment and HLGH Fixed Investment and the trustee of the HLGH Discretionary Trust and the HLGH Fixed Trust), and (iv) Liu Yi (who is the sole shareholder of HLGH PTC, and the sole director of each of HLGH Investment, HLGH Fixed Investment and HLGH PTC). The fixed beneficiaries of the HLGH Fixed Trust are 3,593 SA Member Beneficiaries of SA Conch Group. The discretionary objects of the HLGH Discretionary Trust are the HLGH Discretionary Objects. Under the trust deeds constituting the HLGH Trusts, HLGH Trustee has been given the widest possible powers (which it may exercise or omit to exercise at its discretion) to deal in and manage (among other powers) its trust assets as if it were the absolute beneficial owner of such trust assets, including without limitation, the power to vote upon or in respect of (and accordingly, to procure HLGH Investment or HLGH Fixed Investment (as the case may be) to vote upon or in respect of) the Shares comprised in the trust assets at its own discretion. Each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business. Please refer to the section headed “Relationship with Controlling Shareholders” of this prospectus for further details.

SUMMARY COMBINED FINANCIAL INFORMATION

The following is a summary of our combined financial information as of and for the years ended December 31, 2010, 2011 and 2012 and as of and for the six months ended June 30, 2013. We have derived the summary from our combined financial information set forth in the Accountants’ Report in Appendix I to this prospectus. The below summary should be read together with the combined financial information in Appendix I to this prospectus, including the accompanying notes and the information set forth in “Financial Information” in this prospectus. Our combined financial information was prepared in accordance with IFRS.

Summary Combined Income Statement

The following table sets forth, for the periods indicated, the summary of our combined results of operations, each expressed in their absolute amount and as a percentage of our turnover for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Combined income statements										
Turnover	1,812,167	100.0	1,581,995	100.0	1,250,435	100.0	644,554	100.0	656,708	100.0
Gross profit	651,324	35.9	521,421	33.0	402,440	32.2	209,780	32.5	234,668	35.7
Profit from operations	557,457	30.8	400,243	25.3	320,393	25.6	168,621	26.2	179,932	27.4
Share of profit of										
an associate	1,112,615	61.4	2,062,894	130.4	1,176,249	94.1	547,172	84.9	547,411	83.4
Profit for the year/period . . .	1,557,340	85.9	2,385,606	150.8	1,416,440	113.3	674,976	104.7	681,280	103.7

Throughout the Track Record Period, turnover from provision of energy preservation and environmental protection solutions continued to decrease primarily as the demand for residual heat power generation solutions for cement and steel companies in China and vertical mills decreased due to the general economic conditions and cyclical nature of the downstream cement and steel customers. The market for residual heat power generation expanded rapidly from 2006 to 2010, and started to saturate in 2011, as a large portion of cement and steel companies had installed the residual heat power generation solutions by then, and the PRC government had implemented policies to restrict new capacity for cement and steel plants. The restriction on the establishment of additional cement plants also negatively impacted the demand of vertical mills in China. In addition, the decrease in the sales of our residual heat

SUMMARY

power generation solutions was also attributable to decreases in the spending power of cement companies in China due to the general economic condition. The impact of such decrease in sales of residual heat power generation solutions and vertical mills in China on our results of operations, however, was partially offset by (i) the increase in the turnover from provision of waste incineration solutions in 2011 to 2012; and (ii) growth in the market for residual heat power generation for cement and steel companies outside of China. Turnover from waste incineration is subject to fluctuation, as all the contracts are project based. For the six months ended June 30, 2013, we did not have any waste incineration projects under construction and therefore did not generate any turnover. Going forward, we expect our operations to be sustainable primarily because (i) demand for residual heat power generation solution overseas and applications in industries other than cement is expected to experience a strong growth from 2013 to 2017. According to Roland Berger, the market for residual heat power generation solutions for cement companies outside China is expected to grow at a CAGR of 27.9% from RMB1.9 billion in 2012 to RMB6.5 billion in 2017. In particular, additional residual heat power generation projects are expected under the guidance of the 12th Five Year Plan; (ii) according to Roland Berger, despite the restriction on cement production capacity in China, existing cement production lines looking for optimizing operational efficiency and reducing energy costs can be potential customers for our vertical mills. In particular, based on Roland Berger's estimation, the demand for vertical mills in China will maintain at approximately 130 sets to 170 sets per year from 2013 to 2017, as compared with at approximately 110 sets to 170 sets from 2009 to 2012. As a result, we expect a stable demand for our vertical mills instead of a strong growth in the near future; (iii) we expect a strong growth in demand for our waste incineration solutions. According to Roland Berger, the potential market for cement kiln waste incineration solutions is approximately RMB10.4 billion in aggregate from 2013 to 2017. The use of cement kilns to incinerate domestic wastes is also encouraged by guidance issued by the NDRC and the 12th Five Year Plan. In October 2013, the State Council also issued an official guidance on production capacity issue that encourages the use of cement kiln to incinerate domestic waste. In addition, as of October 31, 2013, we had four waste incineration projects under construction and one waste incineration project that was contracted. The total contract value of these projects is approximately RMB464 million. We expect to recognize revenue in connection with these projects in 2014 and 2015; (iv) we plan to further ramp up the capacity of Yangzhou Haichang Port and expect revenue contribution from our port logistics services to further increase; and (v) we plan to commence the green building material business to capitalize on the expected strong demand for new building panel materials.

Summary Combined Statement of Financial Position

	As of December 31,			As of
	2010	2011	2012	June 30, 2013
	(in RMB thousands)			
Assets				
Non-current assets	6,432,648	8,413,093	9,447,043	9,856,711
Current assets	1,647,482	1,381,668	1,357,645	1,394,467
Total Assets	<u>8,080,130</u>	<u>9,794,761</u>	<u>10,804,688</u>	<u>11,251,178</u>
Equity and Liabilities				
Current liabilities	1,167,560	1,217,967	1,295,932	1,641,310
Non-current liabilities	—	—	30,000	419,000
Total Liabilities	<u>1,167,560</u>	<u>1,217,967</u>	<u>1,325,932</u>	<u>2,060,310</u>
Total equity	<u>6,912,570</u>	<u>8,576,794</u>	<u>9,478,756</u>	<u>9,190,868</u>
Total Liabilities and Equity	<u>8,080,130</u>	<u>9,794,761</u>	<u>10,804,688</u>	<u>11,251,178</u>

SUMMARY

As of June 30, 2013, we recorded net current liabilities of RMB246.8 million, as compared with net current assets of RMB61.7 million as of December 31, 2012, primarily as a result of a substantial increase in our loans and borrowings for the six months ended June 30, 2013 arising from our assumed bank loans of RMB750.0 million as part of the consideration during our Reorganization, of which RMB600.0 million was due within one year as of June 30, 2013. See “History, Development and Reorganization”. In October 2013, we have negotiated with the lending banks to extend the repayment term of our short-term loans of RMB600.0 million.

Financial information on Conch Cement and Conch Profiles

We derive a substantial portion of our profit for the year/period from our equity interests in Conch Holdings, the substantial shareholder of Conch Cement and Conch Profiles. See “Business — Our Investment Holdings, Solutions, Products and Services — Investment Holding — Conch Cement” and “— Conch Profiles” from page 140 to 143 of this prospectus, respectively, and “Financial Information — Principal Income Statement Components — Share of Profit of an Associate” and “— Conch Cement’s Results of Operations and Financial Condition” from page 235 to 242 of this prospectus, respectively, for further details of the financial information of each of Conch Cement and Conch Profiles.

Other Financial Data

The following table sets forth the breakdown of our gross profit and gross margin by our operating segments for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Energy preservation and environmental protection solutions										
Residual heat power generation	511,424	36.5	394,529	32.9	286,710	31.0	165,775	33.0	173,436	34.7
Vertical mills	121,813	33.2	104,273	37.4	44,179	28.0	21,060	23.4	21,926	23.4
Waste incineration	18,087	42.1	17,238	20.0	30,884	33.1	8,989	39.7	—	—
Subtotal	651,324	35.9	516,040	33.0	361,773	30.8	195,824	31.9	195,362	32.9
Port logistics services	—	—	5,381	27.6	40,667	53.6	13,956	46.6	39,306	61.7
Total	651,324	35.9	521,421	33.0	402,440	32.2	209,780	32.5	234,668	35.7

Key Financial Ratios

The following table sets forth the major liquidity ratios as of the end of each of the reporting periods:

	As of December 31,			As of
	2010	2011	2012	June 30, 2013
	(%)			
Debt to equity ratio ⁽¹⁾	1.4	2.3	4.4	12.9
Current ratio ⁽²⁾	141.1	113.4	104.8	85.0
Quick ratio ⁽³⁾	124.3	95.0	84.4	73.5

Notes:

- (1) Calculated by dividing total loans and borrowings by total equity.
- (2) Calculated by dividing current assets by current liabilities.
- (3) Calculated by dividing current assets less inventory by current liabilities.

SUMMARY

GLOBAL OFFERING STATISTICS

	<u>Based on an Offer Price of HK\$11.36 per Share</u>	<u>Based on an Offer Price of HK\$13.56 per Share</u>
Market capitalization of our Shares ⁽²⁾	HK\$20,050.4 million	HK\$23,933.4 million
Unaudited pro forma adjusted combined net tangible asset value per Share ⁽³⁾	HK\$7.88	HK\$8.21

Notes:

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization is based on 265 million Shares expected to be issued under the Global Offering, and assuming that 1,765 million Shares are issued and outstanding immediately following the completion of the Global Offering.
- (3) The unaudited pro forma adjusted combined net tangible asset per Share is calculated after making the adjustments referred to in Appendix III "Unaudited Pro Forma Financial Information" and on the basis that 1,765 million Shares are issued and outstanding immediately following the completion of the Global Offering.

LISTING EXPENSES

As of June 30, 2013, we had incurred expenses in connection with the proposed Global Offering of RMB1.8 million, which were accounted for as our administrative expenses for the six months ended June 30, 2013. By the completion of the Global Offering, we expect to further incur an estimated amount of RMB112.1 million of listing expenses, among which an estimated amount of RMB29.9 million is to be recognized as our administrative expenses and an estimated amount of RMB82.2 million is to be recognized directly in equity. Based on the Shares to be issued under the Global offering, we expect to capitalize 100% of the underwriting commissions and 15% of the total fees incurred for services rendered by professional advisers as our equity and 85% of the total fees incurred for services rendered by professional advisers as our administrative expenses. We do not believe the additional expenses will have a material impact on our results of operations.

SUMMARY

USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$12.46 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$3,159.0 million, after the deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised. We intend to use the net proceeds of the Global Offering for the following purposes:

Amount (HK\$ in millions)	% of total estimated net proceeds	Intended use
860.0	27.2%	Establishing production facilities of CCA boards in Wuhu, Anhui Province
310.0	9.8%	Establishing production facilities of wood wool cement boards in Wuhu, Anhui Province
400.0	12.6%	Establishing production facilities of CCA boards in Bozhou, Anhui Province
310.0	9.8%	Establishing production facilities of wood wool cement boards in Bozhou, Anhui Province
160.0	5.1%	Maintenance of the port facilities of Yangzhou Haichang Port and expansion of its throughput capacity
710.0	22.5%	Carrying out cement kiln waste incineration projects and waste incineration projects utilizing our grate incinerators under BOT arrangement
100.0	3.2%	Repayment of existing shareholder loan of HK\$99.1 million (RMB78.6 million, based on the exchange rate at the time of the loan) owing to HLGH Investment
309.0	9.8%	Working capital and other general corporate purposes

Please see the section headed “Future Plans and Use of Proceeds” in this prospectus for further details.

DIVIDEND POLICY

Our Board has an absolute discretion to declare any dividends for any year and, the amount of the dividends, if it decides to declare a dividend. Future dividend payments will depend on payments made from our PRC subsidiaries and investees. Certain payments from our PRC subsidiaries and investees are subject to PRC taxes, statutory reserve requirements and other legal restrictions.

During the Track Record Period, we did not declare any dividends. You should note that our lack of historical dividend distributions are not indicative of our future dividend distribution policy. We currently intend to adopt, after our Listing, a general annual dividend policy of declaring and paying dividends on an annual basis of about 20% of our distributable net profit attributable to our Group for any particular financial year. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. We will also determine to pay dividends based upon our results of operations, cash flow, capital requirements, contractual restrictions, future prospects and other factors that our Board deems relevant.

SUMMARY

RISK FACTORS

There are a number of risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. A detailed discussion of the risks involved are set forth in the section headed “Risk Factors” on page 34 in this prospectus and you should read the whole section carefully before you decide to invest in the Offer Shares.

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 disseminated through other media relating to us and/or the Global Offering, some of which may not be consistent with the information contained in this prospectus.

RECENT DEVELOPMENTS

Set forth below are certain developments after the end of the Relevant Periods regarding our business:

- We entered into two new contracts of residual heat power generation with total contract amount of RMB270 million.
- We entered into four new contracts of waste incineration with total contract amount of RMB380 million.
- We established two new companies in preparation for the launch of our green building materials business.
- We have acquired the land use rights of a site to be used as our green building materials production facilities and have commenced construction at Bozhou, Anhui Province.

For the three months ended September 30, 2013, we recorded turnover and gross profit of RMB274.3 million and RMB82.7 million, respectively, representing an increase of 5.3% and 6.9%. The increase was primarily the result of increases in turnover from our port logistic services and our residual heat power generation projects. Our gross margin for the three months ended September 30, 2013 increased to 30.2% from 29.7% for the three months ended September 30, 2012, primarily because an increase in the turnover from our port logistic services as a percentage of our total turnover.

The financial information disclosed above is derived from the unaudited financial statements for the three months ended September 30, 2013, which have been reviewed by our Company’s reporting accountants in accordance with the International Standard on Review Engagements 2410 “Review on Interim Financial Information Performed by the Independent Auditor of the Entity”.

Except for the above and ongoing Reorganization, there have been no material developments of our business and operations or the industries in which we operate since June 30, 2013.

Furthermore, our Directors confirm that, since June 30, 2013, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

SUMMARY

QUARTERLY REPORTING

We do not intend to report our results of operations or financial condition on a quarterly basis after listing, and we will make an announcement containing relevant financial information on Conch Cement or Conch Profiles under Rule 13.09 when they publish their quarterly results. In addition, we will ensure that, after Listing, our interim and final results reports will be presented under IFRS and will comply with all relevant Listing Rules requirements, including as to timing and required content.

DEFINITIONS

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

“AIC”	Administration of Industry & Commerce* (工商管理機關) in the PRC or, where the context so requires, State Administration of Industry & Commerce of the PRC (中華人民共和國工商管理總局) or its delegated authority at provincial, municipal or other local level
“Anhui Conch Group”	Conch Holdings and its affiliates (primarily Conch Cement and Conch Profiles), which form part of our Investment Assets
“Anhui Investment”	安徽省投資集團有限責任公司 (Anhui Provincial Investment Group Co., Ltd.*), a company established on July 31, 1998 in the PRC, which holds 51% equity interest in Conch Holdings and is a stated-owned enterprise under the auspices of Anhui SASAC
“Anhui SASAC”	安徽省國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Anhui Province*)
“Anhui SOA Transfer Measures”	Interim Administrative Measures for the Transfer of State-owned Assets and Equity of Enterprises in Anhui Province (安徽省企業國有產權轉讓管理暫行辦法)
“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” or “Articles of Association”	the articles of association of our Company adopted on December 3, 2013, which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“BMGH Investment”	BMGH Investment Limited, a company incorporated on June 18, 2013 in BVI, the issued share capital of which is the trust asset of the BMGH Trust and a shareholder of our Company
“BMGH PTC” or “BMGH Trustee”	BMGH Management (PTC) Limited, a company incorporated on June 14, 2013 in BVI and a corporate trustee of the BMGH Trust managing BMGH Investment
“BMGH Trust”	the fixed trust established with effect from July 11, 2013, with (i) Mr. Hua Yuzhou as settlor and (ii) the SA Member Beneficiaries of BMS Staff Association as fixed beneficiaries
“Board” or “Board of Directors”	the board of Directors

DEFINITIONS

“Bozhou CV Green”	亳州海創新型節能建築材料有限責任公司 (Bozhou Conch Venture New Energy-saving Building Material Co. Ltd.), a company established on August 27, 2013 and a wholly-owned subsidiary of Conch Venture Green and an indirect wholly-owned subsidiary of our Company
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and is not a Saturday, Sunday or public holiday in Hong Kong or a “black” rainstorm or typhoon signal No. 8 or above is in force at any time between 9 a.m. and 4 p.m. in Hong Kong
“BVI”	British Virgin Islands
“BVI Trustco(s)”	collectively, HLGH PTC, NGGH PTC, BMGH PTC and XCGH PTC (being the four private trust companies incorporated in BVI)
“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, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“China NBMC”	中國新型建築材料集團公司 (China New Building Materials Group Company*), a company established in the PRC and an entity which had entitlement to about 11% of the then registered capital of Conch Holdings in 2002, from whom CV Investment acquired such entitlement
“CKEM”	安徽海螺川崎裝備製造有限公司 (Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd.*), a jointly controlled entity established in the PRC on May 25, 1997 held by Kawasaki HI and Conch Cement upon completion of the Reorganization (a Connected Person)

DEFINITIONS

“CK Engineering”	安徽海螺川崎工程有限公司 (Anhui Conch Kawasaki Engineering Co., Ltd.*), a company established in the PRC on December 13, 2006 and held as to 51% equity interest by Conch Venture Wuhu (a wholly owned subsidiary of our Company)
“CK Equipment”	安徽海螺川崎節能設備製造有限公司 (Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd*), a company established in the PRC on October 26, 2007 and 51% equity interest of which was owned by Conch Venture Wuhu (a wholly owned subsidiary of our Company)
“Commerce Authority”	Commerce Department (商務部門) in the PRC or, where the context so requires, MOFCOM or its delegated authority at provincial, municipal or other local level
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	China Conch Venture Holdings Limited (中國海螺創業控股有限公司), a company incorporated on June 24, 2013 as an exempted company with limited liability under the laws of the Cayman Islands
“Conch Cement”	安徽海螺水泥股份有限公司 (Anhui Conch Cement Co. Ltd.*), a company established on September 1, 1997 in the PRC, with its A Shares listed on the Shanghai Stock Exchange (Stock Code: 600585) and H Shares listed on the Stock Exchange (Stock Code: 00914), an investee of Conch Holdings (part of our Investment Assets) or, where the context requires, the Conch Cement Group
“Conch Cement A-Shares”	domestically listed domestic shares of RMB1 each in the capital of Conch Cement
“Conch Cement Domestic Shares”	domestic shares of RMB1 each in the capital of Conch Cement, which include Conch Cement A-Shares and (before the share segregation reform implemented in 2006) non-floating (非流通) domestic shares in Conch Cement
“Conch Cement Group”	Conch Cement and its subsidiaries
“Conch Cement H-Shares”	overseas listed foreign shares of RMB1 each in the capital of Conch Cement

DEFINITIONS

“Conch Design Institute”	安徽海螺建材設計研究院 (Anhui Conch Building Materials Design and Research Institute*), an enterprise established in the PRC on August 10, 1998 and a subsidiary of Conch Holdings (part of our Investment Assets)
“Conch Holdings”	安徽海螺集團有限責任公司 (Anhui Conch Holdings Co. Ltd.*), a company established in the PRC on November 7, 1996, 49% equity interest of which is held by our Group, which forms part of our Investment Assets
“Conch IID Shanghai”	上海海螺國際投資發展有限公司 (Shanghai Conch International Investment Development Co. Ltd.*), a company established in the PRC on December 20, 2005 and held by CV Investment (a Connected Person) as to 70%, by Mr. Wang Xuesen (a director of HC Port and a beneficiary of the HLGH Fixed Trust) as to approximately 7.70%, by Mr. Wang Jibin (a director of HC Port and a beneficiary of the HLGH Fixed Trust) as to approximately 6.18% and four individuals (of whom three are beneficiaries of the HLGH Fixed Trust and the remaining one is the spouse of one of the Individual Owners) as to approximately 16.12%
“Conch IT Engineering”	安徽海螺信息技術工程有限責任公司 (Anhui Conch IT Engineering Co. Ltd.*), a company established in the PRC on June 12, 2008 and an indirect wholly owned subsidiary of Conch Holdings (which forms part of our Investment Assets)
“Conch NEC Equipment”	安徽海螺新型節能設備製造有限公司 (Anhui Conch New and Energy Conservation Equipment Production Co., Ltd.*), a company established in the PRC on December 13, 2006 and the predecessor of CK Equipment
“Conch Profiles”	蕪湖海螺型材科技股份有限公司 (Wuhu Conch Profiles and Science Co., Ltd.*), a PRC joint stock limited company established on October 16, 1996 and indirectly controlled by Conch Holdings (which forms part of our Investment Assets), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000619), an investee of Conch Holdings (part of our Investment Assets)
“Conch Property Management”	蕪湖海螺物業管理有限公司 (Wuhu Conch Property Management Co. Ltd.*), a company established on February 14, 2013 in the PRC and a wholly owned subsidiary of CV Investment (a Connected Person)
“Conch Venture BVI”	China Conch Venture Holdings International Limited (中國海創控股國際有限公司), a company incorporated in BVI on May 31, 2013 and a direct wholly owned subsidiary of our Company

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“Conch Venture Green”	安徽海創新型節能建築材料有限責任公司 (Anhui Conch Venture New Energy-saving Building Material Co. Ltd.*), a wholly foreign owned enterprise established in the PRC on June 24, 2013, and an indirect wholly owned subsidiary of our Company
“Conch Venture HK”	China Conch Venture Holdings (HK) Limited (中國海創控股(香港)有限公司), a company incorporated in Hong Kong on June 13, 2013 and an indirect wholly owned subsidiary of our Company
“Conch Venture Pingliang”	平涼海創環境工程有限責任公司 (Pingliang Conch Venture Environmental Engineering Co. Ltd.*), a company established on September 23, 2013 and a wholly-owned subsidiary of Conch Venture Wuhu and an indirect wholly owned subsidiary of our Company
“Conch Venture Property”	蕪湖海創置業有限責任公司 (Wuhu Conch Venture Property Development Co. Ltd.*), a company established in the PRC on September 25, 2006, 100% equity interest of which was held by CV Investment (a Connected Person)
“Conch Venture Wuhu”	蕪湖海創實業有限責任公司 (Wuhu Conch Venture Enterprise Limited*), a company established in the PRC on May 31, 2013 and an indirect wholly owned subsidiary of our Company
“Confluence Investment”	Confluence Investment Holdings Limited (百匯投資控股有限公司), a company incorporated on June 10, 2013 in BVI, solely owned by Mr. Zhu Zhongping (the chief accountant of our Company, being a member of the senior management) and is one of our Shareholders
“Connected Person(s)” or “connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, collectively refers to HLGH Investment, HLGH Fixed Investment, HLGH PTC and Mr. Liu Yi
“Cornerstone Investment Agreements”	five several subscription agreements made by our Company with (among other parties) the Cornerstone Investors respectively, pursuant to which each investor has conditionally agreed to subscribe for some of the International Offer Shares, the principal terms of which are set out in the section headed “Cornerstone Investors” of this prospectus
“Cornerstone Investors”	such five cornerstone investors whose names are set out in the section headed “Cornerstone Investors” of this prospectus

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“Crown Wise”	Crown Wise Limited, a company incorporated on September 19, 2007 in BVI and one of the Pre-IPO Investors
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“CV Investment”	安徽海螺創業投資有限責任公司 (Anhui Conch Venture Investment Co. Ltd.*), a limited liability company established on November 5, 2002 in the PRC, the registered equity-holders of which are the Staff Associations and the Individual Owners
“Director(s)”	the director(s) of our Company
“EIT”	enterprise income tax
“EIT Law”	the Enterprise Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法)
“Fortunate Gold”	Fortunate Gold Holdings Limited (瑞金控股有限公司), a company incorporated on May 22, 2013 in BVI, solely owned by Mr. Zhu Dejin and is one of our Shareholders
“Global Essence”	Global Essence Properties Limited (環球薈萃置業有限公司), a company incorporated on April 11, 2013 in BVI, solely owned by Mr. Wang Jun and is one of our Shareholders
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Golden Convergence”	Golden Convergence Limited (金匯有限公司), a company incorporated on May 9, 2013 in BVI, solely owned by Mr. Ji Qinying (an executive Director) and is one of our Shareholders
“ GREEN application form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we”, “our” and “us”	our Company and its subsidiaries at the relevant time or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors and, for the avoidance of doubt, does not include our Investment Assets
“HC Port”	揚州海昌港務實業有限責任公司 (Yangzhou Haichang Port Industrial Co., Ltd.*), a company established in the PRC on October 30, 2006 and an indirect non-wholly owned subsidiary of our Company
“High Sun”	High Sun Holdings Limited (峻陽控股有限公司), a company incorporated on May 21, 2013 in BVI, solely owned by Mr. Guo Wensan and is one of our Shareholders

DEFINITIONS

“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HLGH Discretionary Objects”	in respect of the HLGH Discretionary Trust, the employees from time to time of Conch Holdings, CV Investment, our Company and those of their respective direct or indirect subsidiaries and companies in which they have interests, and who are concurrently members of the staff associations of any one or more of these companies
“HLGH Discretionary Trust”	the discretionary trust established with effect from July 11, 2013, (i) with Mr. Liu Yi as settlor and (ii) whose discretionary objects are the HLGH Discretionary Objects
“HLGH Fixed Investment”	HLGH Fixed Investment Limited, a company incorporated on July 9, 2013 in BVI, the issued share capital of which is the trust asset of the HLGH Fixed Trust and a Controlling Shareholder of our Company
“HLGH Fixed Trust”	the fixed trust established with effect from July 11, 2013, with (i) Mr. Liu Yi as settlor and (ii) the SA Member Beneficiaries of the Conch Group Staff Association as fixed beneficiaries (but does not include any Individual Owners)
“HLGH Investment”	HLGH Investment Limited, a company incorporated on June 18, 2013 in BVI, the issued share capital of which is the trust asset of the HLGH Discretionary Trust and a Controlling Shareholder of our Company
“HLGH PTC” or “HLGH Trustee”	HLGH Management (PTC) Limited, a company incorporated on June 14, 2013 in BVI, a corporate trustee of the HLGH Trusts managing HLGH Investment and HLGH Fixed Investment and a Controlling Shareholder of our Company
“HLGH Trusts”	the HLGH Discretionary Trust and the HLGH Fixed Trust
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 26,500,000 Shares initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to adjustments as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the Application Forms

DEFINITIONS

“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated December 6, 2013 relating to the Hong Kong Public Offering and entered into among our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering” in this prospectus
“IFRS”	International Financial Reporting Standards
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are independent of our Company and our connected persons
“Individual Owners”	collectively, Messrs. Guo Wensan, Li Shunan, Wang Jun, Zhu Dejin, Zhu Zhongping (the chief accountant of our Company, being a member of the senior management), Guo Jingbin (a non-executive Director) and Ji Qinying (an executive Director), who are the registered shareholders of CV Investment and, as of the Latest Practicable Date, each of whom was the sole beneficial shareholder of a corporate shareholder of our Company
“INED(s)”	independent non-executive director(s) or, in the context of the Company, our independent non-executive Director(s)
“International Offer Shares”	the 238,500,000 Shares initially offered by our Company for subscription at the Offer Price pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to adjustments as described in the section headed “Structure of the Global Offering” in this prospectus)
“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of international underwriters that is expected to enter into the International Underwriting Agreement to underwrite the International Offering

DEFINITIONS

“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around December 12, 2013 by, among others, our Company, the Joint Global Coordinators, the Joint Bookrunners and the International Underwriters in respect of the International Offering, as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — The International Offering” in this prospectus
“Investment Assets”	the assets comprising 49% equity interest in Conch Holdings (which is held by our Group) and investees of Conch Holdings
“Joint Bookrunners”	Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C. and The Hongkong and Shanghai Banking Corporation Limited
“Joint Global Coordinators”	Deutsche Bank AG, Hong Kong Branch and Goldman Sachs (Asia) L.L.C.
“Joint Lead Managers”	Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley Asia Limited
“Kawasaki Group”	Kawasaki HI and its subsidiaries
“Kawasaki HI”	Kawasaki Heavy Industries Ltd. (川崎重工業株式會社), a company incorporated on October 9, 1896 in Japan and a Connected Person, and holding 49% equity interest in each of CK Engineering and CK Equipment
“Kawasaki Merger”	a merger which took place in 2010, by which Kawasaki Plant and three other entities (including Kawasaki HI) were merged into Kawasaki HI, following which only Kawasaki HI remained while the other three entities were dissolved
“Kawasaki Partner”	such member of the Kawasaki Group which held (or holds) equity interest in CK Engineering and CK Equipment, which is: (i) (prior to the Kawasaki Merger taking effect) Kawasaki Plant, and (ii) (after the Kawasaki Merger took effect) Kawasaki HI
“Kawasaki Plant”	Kawasaki Plant Systems, Ltd. (川崎成套設備工程株式會社), a company incorporated in Japan, which was one of the equity-holders of each of CK Engineering and CK Equipment, and which was merged in 2010 with certain other entities to form Kawasaki HI
“Kelland”	Kelland International Limited, a company incorporated in BVI on March 28, 1996 and one of the Pre-IPO Investors

DEFINITIONS

“Latest Practicable Date”	December 3, 2013, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about December 19, 2013, on which dealings in our Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“M&A Rules”	Provisions 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) promulgated on August 8, 2006 by six PRC regulatory agencies, including the CSRC, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association”	the memorandum of association of our Company (as amended from time to time), adopted at its incorporation on June 24, 2013, a summary of which is set out in Appendix IV to this prospectus
“MOFCOM”	Ministry of Commerce of the People’s Republic of China (中華人民共和國商務部)
“NGGH Investment”	NGGH Investment Limited, a company incorporated on June 18, 2013 in BVI, the issued share capital of which is the trust asset of the NGGH Trust and is one of our Shareholders
“NGGH PTC” or “NGGH Trustee”	NGGH Management (PTC) Limited, a company incorporated on June 14, 2013 in BVI, and a corporate trustee of the NGGH Trust managing NGGH Investment
“NGGH Trust”	the fixed trust established with effect from July 11, 2013, with (i) Mr. Rao Peijun as settlor and (ii) the SA Member Beneficiaries of Ningguo Staff Association as fixed beneficiaries

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“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) of not more than HK\$13.56 and expected to be not less than HK\$11.36, at which Hong Kong Offer Shares are to be subscribed for and to be determined in the manner further described in the section headed “Structure of the Global Offering — Pricing and Allocation” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expect to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 39,750,000 additional Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“PBOC”	中國人民銀行 (the People’s Bank of China), the central bank of the PRC
“PRC Government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organizations of such government or, as the context requires, any of them
“Pre-IPO Investment Agreements”	collectively, (i) the agreement dated July 16, 2013 and made by HLGH Investment, Crown Wise, Prosperity Minerals Holdings Ltd. and our Company, in connection with the sale and purchase of 12 million Shares at the consideration of HK\$84 million, and (ii) the agreement dated July 16, 2013 and made by HLGH Investment, Kelland, Ms. Chen Xiao Ping and our Company in connection with the sale and purchase of 4.3 million Shares at the consideration of HK\$30.1 million
“Pre-IPO Investors”	collectively, Kelland and Crown Wise
“Price Determination Agreement”	the agreement to be entered into by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price

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“Price Determination Date”	the date, expected to be on or around December 12, 2013 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Global Coordinators (on behalf of the Underwriters) and our Company may agree, but in any event no later than December 16, 2013
“prospectus” or “Prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Prosperity Group”	Prosperity Holdings and its subsidiaries
“Prosperity Holdings”	Prosperity International Holdings (H.K.) Ltd., a company incorporated on August 17, 2000 in Bermuda and whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 803), which is the holding company of (i) a substantial shareholder of HC Port and (ii) one of our Pre-IPO Investors (a Connected Person)
“Prosperity Trading”	Prosperity Trading Limited (昌興建材有限公司), a company incorporated on April 16, 2003 in Hong Kong and which holds 25% equity interest in HC Port (a Connected Person)
“R&D”	research and development
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration and Nomination Committee”	the remuneration and nomination committee of the Board
“Reorganization”	the corporate reorganization of our Group in preparation for the listing of the Shares on the Stock Exchange, details of which are set out in the section headed “History, Development and Reorganization — Reorganization” of this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Roland Berger”	Roland Berger Management Consultants (Shanghai) Co., Ltd.
“Roland Berger Report”	the commissioned report issued by Roland Berger
“SA Baimashan” or “BMS Staff Association”	安徽省白馬山水泥廠工會委員會 (The Staff Association of Baimashan Cement Plant*), a social organization legal entity (社會團體法人) and one of the shareholders of CV Investment
“SA BVI Trusts”	collectively, the HLGH Trusts, the NGGH Trust, the BMGH Trust and the XCGH Trust
“SA Conch Group” or “Conch Group Staff Association”	安徽海螺集團有限責任公司工會委員會 (The Staff Association of Anhui Conch Holdings Company Limited*), a social organization legal entity (社會團體法人) and one of the shareholders of CV Investment

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“SAFE”	State Administration of Foreign Exchange of the People's Republic of China (中華人民共和國國家外匯管理局)
“SAFE Circular No.75”	the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Bank in China by Domestic Residents (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) issued by SAFE on October 21, 2005 and effective from November 1, 2005
“SA Manager(s)”	being the persons nominated by the members of the relevant Staff Associations, who possess the voting rights to the shares registered under the name of the respective Staff Associations in CV Investment. During the Track Record Period and as of the Latest Practicable Date, Messrs. Liu Yi, Rao Peijun, Hua Yuzhou and Zhou Xiaochuan were the managers of SA Conch Group, SA Ningguo, SA Baimashan and SA Profiles respectively
“SA Member Beneficiary(ies)”	Staff Member(s) of any Staff Association who is (are) also indirectly entitled to benefits to (i) CV Investment whose capital is held through (and in the name of) the relevant Staff Association; and (ii) where applicable, save and except the Individual Owners, the Company where capital is held through the relevant SA BVI Trust(s)
“SA Ningguo” or “Ningguo Staff Association”	安徽省寧國水泥廠工會委員會(The Staff Association of Ningguo Cement Plant*), a social organization legal entity (社會團體法人) and one of the shareholders of CV Investment
“SA Profiles” or “Profiles Staff Association”	蕪湖海螺型材科技股份有限公司工會委員會 (The Staff Association of Conch Profiles*), a social organization legal entity (社會團體法人) and one of the shareholders of CV Investment
“SAT”	State Administration of Taxation of the People's Republic of China (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Stock Exchange”	the Shanghai Stock Exchange of the PRC
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s)

DEFINITIONS

“shareholder(s)”	in respect of any corporate or social entity, holder(s) of shares in the capital of (or, as the case may be, equity interest in) such entity, and “shareholding” shall be construed accordingly
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on December 3, 2013, the principal terms of which are summarized in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange of the PRC
“Sole Sponsor” or “Sponsor”	Deutsche Securities Asia Limited
“Splendor Court”	Splendor Court Holdings Limited (華廷控股有限公司), a company incorporated on June 10, 2013 in BVI, solely owned by Mr. Guo Jingbin (a non-executive Director) and is one of our Shareholders
“Stabilizing Manager”	Deutsche Bank AG, Hong Kong Branch
“Staff Associations”	collectively, SA Baimashan, SA Conch Group, SA Ningguo and SA Profiles
“Staff Members”	members of the Staff Associations
“Starlight Investment”	Starlight Investment Holdings Limited (星光投資控股有限公司), a company incorporated on June 10, 2013 in BVI, solely owned by Mr. Li Shunan and is one of our Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto in Section 2 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Track Record Period”	the financial period comprising the three years ended December 31, 2012 and the six months ended June 30, 2013
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States

DEFINITIONS

“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“we”, “us”, or “our”	our Company or our Group (as the context may require)
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Wuhu Conch Hotel”	蕪湖海螺國際大酒店有限公司 (Wuhu Conch International Hotel Co. Ltd.*), a company incorporated on September 26, 1999 in the PRC and a wholly owned subsidiary of Conch Holdings (which forms part of our Investment Assets)
“XCGH Investment”	XCGH Investment Limited, a company incorporated on June 18, 2013 in BVI, the issued share capital of which is the trust asset of the XCGH Trust and is one of our Shareholders
“XCGH PTC” or “XCGH Trustee”	XCGH Management (PTC) Limited, a company incorporated on June 14, 2013 in BVI and a corporate trustee of the XCGH Trust managing XCGH Investment
“XCGH Trust”	the fixed trust established with effect from July 11, 2013, with (i) Zhou Xiaochuan as settlor and (ii) the SA Member Beneficiaries of Profiles Staff Association as fixed beneficiaries
“XYY Investment Shanghai”	上海新永溢投資有限責任公司 (Shanghai Xin Yongyi Investment Co. Ltd.*), a company established on March 12, 2010 in the PRC and which was held as to 75% equity interest by CV Investment (a Connected Person) as at the Latest Practicable Date and as to 25% by Mr. Zhu Zhongping (the chief accountant of our Company, being a member of the senior management)
“Yingde Conch Hotel”	英德海螺國際大酒店有限公司 (Yingde Conch International Hotel Co. Ltd.*), a company established on September 10, 2003 in the PRC and which was a wholly-owned subsidiary of Conch Holdings (which forms part of our Investment Assets) as at the Latest Practicable Date
“%”	per cent

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only.

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If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities are provided for identification purposes only and are marked with “”.*

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this prospectus in connection with us. As such, these terms and their meanings may not correspond to standard industry meanings or usages of these terms.

“AQC boiler”	a type of boiler typically placed at the inlet of a cement kiln to produce steam that propels a steam turbine
“BOT”	build-operate-transfer, a type of business arrangement used in the construction of a facility
“BT”	build-transfer, a type of business arrangement used in the construction of a facility
“CAGR”	compound annual growth rate
“CCA board”	cellulose cement autoclaved board, a type of non-asbestos fiber cement board made from cement and cellulose fiber
“CDM”	clean development mechanism, under which the various industrial companies can trade their carbon credits
“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
“clinker”	a major semi-finished product in the cement production process
“EP”	engineering and procurement, a type of business arrangement used in the design and engineering of a facility
“EPC”	engineering, procurement and construction, a type of business arrangement used in the design and construction of a facility
“EMC”	energy management contract, a type of business arrangement used in the construction of a facility
“dioxin”	a by-product of various industrial process and is commonly regarded as a highly toxic compound that is an environmental pollutant and persistent organic pollutant
“grate incinerator”	a type of burning furnace that incinerates waste
“kWh”	kilowatt hour, a unit of energy
“MW”	megawatt, a unit of power
“PH boiler”	a type of boiler typically placed at the outlet of a cement kiln to produce steam that propels a steam turbine

GLOSSARY OF TECHNICAL TERMS

“PVC”	polyvinyl chloride, the third-most widely produced plastic, after polyethylene and polypropylene. PVC is used in construction because it is more effective than traditional materials such as copper, iron or wood in pipe and profile applications
“PVC profile”	a common thermoplastic resin extruded in various tabular shapes for manufacturing PVC windows and various products
“residual heat”	unutilized heat generated through industrial activities
“standard brick”	a typical unit for measuring wall building materials volume in China. Typical size of a standard brick is 240mm x 115mm x 90mm
“throughput”	the quantity of cargo that enters and exits the port by water, and is loaded and discharged by port enterprises in a certain period of time
“tonne”	metric ton, represents 1,000 kgs
“vertical mills”	one major type of cement mills that are used to grind clinker into cement

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. All statements other than statements of historical fact contained in this prospectus, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the risk factors set forth under the section headed “Risk Factors” in this prospectus and the following:

- our business prospects and future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- advance in technology;
- development in infrastructure;
- customer preference and availability of replacement products;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate; the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- capital market developments;
- the actions and developments of our competitors;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other factors beyond our control.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any, and undertake no, obligations to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. We caution you not to place undue reliance on any forward-looking statements or information.

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

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. There are a number of risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business, (ii) risks relating to our industry, (iii) risks relating to Conch Cement and Conch Profiles, (iv) risks relating to doing business in the PRC and (v) risks relating to the Global Offering. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected and the market price of the Offer Shares could fall significantly and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our results of operations are largely affected by the performance of certain associates of Conch Holdings, over which the business we do not have control as we only have a minority interest in those entities.

We derive a substantial portion of our profit for the year/period from our equity interests in Conch Holdings, the substantial shareholder of Conch Cement and Conch Profiles. In 2010, 2011, 2012 and the six months ended June 30, 2013, our investment income from equity-method investees was RMB1,112.6 million, RMB2,062.9 million, RMB1,176.2 million and RMB547.4 million, respectively, accounting for approximately 71.4%, 86.5%, 83.0% and 80.4%, respectively, of our corresponding combined profit for the year/period. Our investment in Conch Holdings also accounted for a substantial portion of our assets. As of December 31, 2010, 2011 and 2012 and June 30, 2013, the carrying value of our investment in Conch Holdings amounted to RMB5,845.5 million, RMB7,460.0 million, RMB8,367.2 million and RMB8,761.8 million, respectively, representing 72.3%, 76.2%, 77.4% and 77.9% of our total assets. We do not control the business of any of these member companies of Conch Holdings as we only have a non-controlling interest in these entities. Both Conch Cement and Conch Profiles are highly susceptible to any decrease in demand and prices for their respective products or decline or recession in the real estate and infrastructure investments. If any of the real estate and infrastructure investments experiences a slow down, the prospects, business and results of operations of Conch Cement and Conch Profiles would be adversely affected, which in turn will have a material and adverse effect on our results of operations. Therefore, we cannot assure you that our investment income from equity-method investee will continue to contribute positively to our total combined profit for the year/period. Furthermore, while we intend to procure Conch Holdings to distribute the distributable earnings from its investee companies (including Conch Cement and Conch Profiles) to us at the largest extent every year, there can be no assurance that such distribution will be made as we do not control Conch Holdings. As a result, even if the investee companies of Conch Holdings are profitable, we may not receive any dividend distribution or any cash inflow.

We derived a substantial portion of our turnover from Conch Cement, our largest customer during the Track Record Period.

Conch Cement is our largest customer and a related party during the Track Record Period and accounted for approximately 41.4%, 35.5%, 26.4% and 55.8%, respectively, of our turnover in 2010, 2011, 2012 and the six months ended June 30, 2013. We cannot assure you that we will be able to continue to provide solutions to these companies at current levels, or at all. In particular, Conch Cement's demand for our residual heat power generation solution is limited by its cement production capacity, which may not grow at the same pace as they did, if at all.

RISK FACTORS

We are dependent on cement and steel industries, which are competitive and cyclical in nature.

We provide our energy preservation and environmental protection solutions primarily to customers who operate in cement and steel industries. The businesses of these industries are cyclical in nature and our key customers are sensitive to changes in macroeconomic conditions. In particular, the demand for our residual heat power generation solutions is directly affected by the growth in production capacity of cement and steel in China. In 2010, 2011, 2012 and the six months ended June 30, 2013, approximately 77.4%, 75.7%, 73.9% and 76.0% of our turnover was attributable to the provision of residual heat power generation solutions. Accordingly, we are vulnerable to the fluctuations in cement and steel industries as well as the macroeconomic conditions across the globe. If cement and/or steel industries grow slower than expected or experience a recession, our business, results of operations and financial condition would be adversely affected. In particular, throughout the Track Record Period, as a result of the decrease in domestic demand for residual heat power generation solutions from cement and steel companies, our turnover continued to decrease. There can be no assurance that demand for residual heat power generation solutions from cement and steel companies or our turnover will not further decrease in the future. In the future, any slowdown in the growth of production capacity for cement and steel will restrict the demand for our residual heat power generation solutions, which in turn will have a material and adverse effect on our business, results of operations and financial condition. In particular, a slowdown of market demand in China has resulted in decreases in our turnover throughout the Track Record Period.

If we are unable to maintain a satisfactory relationship with Kawasaki Group, our business may suffer.

We co-designed and co-developed with Kawasaki Group various proprietary technologies we rely on for the provision of our residual heat generation and waste incineration solutions. In particular, we co-developed various patents with Kawasaki Group in connection with our innovative waste incineration systems. Meanwhile, Kawasaki Group has licensed to us certain technologies and designs in connection with our residual heat power generation solutions. If we are unable to maintain a satisfactory relationship with Kawasaki or if Kawasaki Group establishes similar or more favorable relationships with our competitors, whether or not in violation of its existing arrangements with us, our business and results of operations would be harmed. We cannot assure you that Kawasaki Group will continue to cooperate with us in furtherance of our technological capability, will not terminate the existing license agreements to our disadvantage, or will grant us additional licenses for any new technologies it may develop in the future. Any deterioration of our relationship with Kawasaki Group could harm the operation and growth of our business.

Most of our contracts with customers are on a project basis. If we fail to secure new contracts on a continual basis, our operating results may be materially and adversely affected.

Most of our contracts with customers are on a short-term project basis. As a result, we must periodically seek to enter into new contracts when our current contracts are completed. We cannot assure you that we will always be able to renew our existing contracts or secure new contracts with our customers. For example, in the six months ended June 30, 2013, except for Conch Cement and the second largest customer, the rest of our five largest customers were entirely different from the rest of our five largest customers in 2012. If we are unable to renew our existing contracts or secure new contracts on a continual basis, our business and results of operations may be materially and adversely affected.

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Problems with quality or performance of our residual heat power generation systems or waste incineration systems could result in a loss of clients and decrease in turnover, unexpected expenses and loss of market share.

Our operating results depend, in part, on our ability to provide high quality and performance solutions to our customers. If we experience deterioration in the performance or quality of any of our solutions, it could result in delays in delivery, cancellations of orders or product returns and complaints, loss of goodwill and harm to our brand and reputation. Furthermore, as our residual heat power generation systems or waste incineration systems are assembled using components and raw materials that are produced by third parties, and if a problem arises, it may be difficult to identify the source of the problem. These problems may lead to a loss of clients or decrease in turnover, harm to our brand and reputation, the incurrence of unexpected expenses, loss of market share, and diversion of the attention of our technical and management personnel to address these problems, any one of which may materially and adversely affect our business, financial condition and results of operations.

In addition, warranties provided by suppliers may be for shorter periods than the warranty periods we provide to our clients and warranty claims against suppliers may be subject to certain conditions precedent which may not be satisfied. To the extent that the amounts of such claims cannot be covered by insurance coverage, if any, we may be required to bear client claims or replace the product or components and our business, financial condition and results of operations could be materially and adversely affected.

We face risks associated with the expansion of our scale of operations outside of China, and if we are unable to effectively manage these risks, they could impair our ability to expand our business abroad.

As part of our growth strategy, we plan to expand our scale of operations outside of China, primarily providing our residual heat power generation solutions to overseas customers. As we continue to grow our business and expand our operations outside of China, we will continue to enter into or develop markets in which we have limited or no experience and in which our brands may be less recognized. The expansion exposes us to a number of risks, including:

- difficulty in managing multinational operations;
- difficulty with staffing and managing overseas operations, including managing an increasing number of employees on a global basis and complying with the various labor regulatory requirements of the different jurisdictions;
- fluctuations in currency exchange rates and risks relating to the hedging of foreign currency exposure;
- challenges in providing customer services and support in these markets;
- unexpected transportation delays or interruptions or increases in international transportation costs;
- difficulties in and costs of complying with the different commercial, legal and regulatory requirements of the overseas markets in which we offer our products;
- additional product liability exposure due to different legal systems in overseas markets;
- difficulty in collecting receivables from foreign customers;

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- difficulty in ensuring the compliance of our dealers and customers with the sanctions imposed by the office of Foreign Assets Control (the “OFAC”), an office within the United States Department of the Treasury, on various foreign states, organizations and individuals;
- inability to obtain, maintain or enforce intellectual property rights;
- inability to effectively enforce contractual or legal rights or intellectual property rights in certain jurisdictions under which we operate;
- changes in a specific country or region’s political or economic conditions or policies;
- unanticipated changes in prevailing economic conditions, local market conditions and regulatory requirements; and
- governmental policies favoring domestic companies in certain foreign markets or trade barriers including export requirements, tariffs, taxes and other restrictions and charges. These government policies or trade barriers could increase the prices of our products and make us less competitive in such countries.

If we are unable to effectively manage these risks, our ability to expand our business abroad will be impaired, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our production activities are subject to risks related to workplace safety, including personal injury, death and legal liability.

Our production activities are subject to risks related to workplace safety, including damage to, or destruction of, production equipment and facilities, and could also result in personal injury, death, performance delays, monetary losses and legal liability. There can be no assurance that serious accidents or fatalities would not occur in the future. If we fail to prevent serious accidents or fatalities, we will be held liable for damages arising out of or in connection with such incidents or facilities, which could have a material adverse effect on our results of operations, business, financial condition and prospects.

Our business prospects highly depend on the acceptance and marketability of the green building materials.

We plan to start the green building materials business by offering CCA boards and wood wool cement boards. The green building materials in China is highly fragmented and is dominated by smaller manufacturers. While we expect there is a strong potential for these green building materials, the level of market acceptance is uncertain. Without broad market acceptance, there will not be sufficient market demand for our new building materials, which may prevent us from recovering the capital investments we made in connection with the production facilities. In addition, we may encounter regulatory, personnel, technological and other difficulties that may increase our expenses or delay our ability to start up our operations and expand distribution network to comply with applicable regulatory requirements or become profitable in such market.

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We have no experience in the production and marketing of green building materials that we plan to offer in the near future, and we may be unable to manage the growth of our new building materials business or successfully operate in the new building materials market.

The green building materials market we plan to enter into in the near future is in the early stage of development, and we have no experience in the green building materials market as we only have planned to start our new building materials recently. We cannot assure you that we can successfully operate and expand in this market. For example, we may not have the necessary research and development capabilities or marketing and sales personnel to meet the needs of our customers or to manage our growth. In addition, as green building materials generally have higher average selling prices compared to those of traditional building materials, we expect competition in the green building materials market to further intensify as more companies, including traditional building materials manufacturers, may choose to enter this market. Many of our existing and potential competitors, in particular foreign competitors, may have substantially greater financial, technical, manufacturing and other resources than we do. Furthermore, it may take significant time for our products to gain acceptance in the market. If we were unable to manage the growth of our new building materials business or if our new building materials failed to meet the needs of our customers, a material adverse effect on our reputation, business and prospects would occur.

Establishment of new port or upgrade of existing ports or other infrastructure developments near the Yangzhou Haichang Port might have a negative impact on our port logistics services.

Currently, our Yangzhou Haichang Port does not face any intense competition due to its strategic location and the shortage on capacity of inland ports along Yangtze River. However, if any new port is established near our Yangzhou Haichang Port, or the existing ports close to Yangzhou Haichang Port undergo a capacity upgrade, Yangzhou Haichang Port may face intensified competition, which might result in a decrease of the utilization rate or in the fee we charge for our services. New infrastructures at or serving Yangzhou Haichang Port or its vicinity may also result in reduced utilization or income. If any of these happens, our port logistics services business could be materially and adversely affected.

Our R&D efforts may not yield the benefits that we expect and we may not be able to introduce market-leading products and maintain the competitiveness of our service offerings.

In order to maintain and increase our current competitive position and to continue to grow our business, we need to continuously introduce advanced and efficient solutions with superior qualities and focus on continuous technological developments and innovation to provide better performance and address the increasingly complex market needs. Meanwhile, new or alternative technologies in the residual heat power generation and waste incineration markets may from time to time be adopted. There can be no assurance that we will be able to continue to enhance our technologies through our R&D efforts, or that we will be able to keep pace with technological changes in our market. If our proprietary technologies for residual heat power treatment and waste incineration is outperformed or proven less cost-efficient than the new or alternative technologies, our business, results of operations and financial condition will be materially and adversely affected.

In addition, our research and development activities require considerable human resources and capital investments. However, our R&D efforts may not be successful or yield the anticipated level of economic benefit. Even if our R&D efforts are successful, we may not be

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able to apply these newly developed technologies to products that will be accepted by the market, or we may not be able to apply them in a timely manner to take advantage of first-mover opportunities in the market.

Our failure to protect our intellectual property rights may undermine our competitive position and litigations to protect our intellectual property rights may be costly and may not be resolved in our favor.

Our commercial success depends in part on our ability to obtain and maintain trade secrets, patents and other intellectual property protections for our solutions, technologies, designs and know-how as well as to successfully enforce our intellectual property rights and to defend our intellectual property rights against third-party challenges and/or infringement. We could only protect our solutions, technologies and designs from unauthorized use by third parties to the extent that valid and enforceable intellectual property protections cover them. In the event that our patents or other intellectual properties and our applications do not adequately describe, enable or otherwise provide coverage for our solutions, technologies or designs, we would not be able to prevent others from developing or commercializing these solutions, technologies or designs. Competitors may successfully challenge our patents, offer similar solutions that do not infringe our patents. Furthermore, the degree of future protection of our proprietary rights is uncertain because legal means may only provide limited protection and may not adequately protect our rights. Changes in either the patent laws or the interpretations of patent laws in China or other countries may diminish the value of our intellectual property. In addition, for our unpatented, proprietary technology, know-how or data, we primarily rely on trade secret protection and agreements to safeguard our interests. However, trade secrets are difficult to protect.

Any failure to protect or maintain our brand could have a negative impact on our business, and we do not have any registered trademark to protect our brand.

We believe our brands are critical to our success. Any unauthorized use of our brands and other similar intellectual property rights could harm our competitive advantages and business. Historically, China has provided less protection to brands compared to certain other countries, and infringement of brands continues to pose a serious risk of doing business in China. Monitoring and preventing unauthorized use is difficult. The measures we take to protect our brands may not be adequate or effective. In particular, we currently do not own any registered trademark to protect our brand. If we are unable to adequately protect our brand, we may lose these rights and our business may suffer materially.

We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could require us to pay significant damage awards.

Our success depends largely on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of legal claims relating to the patents covering the key equipment in our solutions involve complex scientific, legal and factual questions and analyses and, therefore, may have highly uncertain outcomes. We may be subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceeding to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties or redesign our solutions or subject us to injunctions prohibiting the manufacture and sale of our products or the

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use of our technologies. Protracted litigation could also result in our clients or potential clients deferring or limiting their purchase or use of our products or services until resolution of such litigation.

We may be unaware of current infringement of our intellectual property rights by other parties and may be unable to prevent such infringement in the future. To protect our intellectual property rights and to maintain our competitive advantage, we may file suits against parties who we believe infringe our intellectual property. Litigation relating to intellectual property rights is costly and diverts technical and management personnel from their normal responsibilities. Furthermore, it is difficult, if not impossible, to predict how such disputes would be resolved and we may not prevail in any such litigation or proceeding. In addition, there is a risk that some of our confidential information could be compromised by disclosure during intellectual property litigation.

We may have capital requirements in connection with our business strategy and there is no assurance that we will be able to obtain the financing necessary to fund substantial capital expenditures.

In connection with our business strategy, we have made payment of RMB197.1 million, RMB197.1 million, RMB172.6 million and RMB65.0 million on capital expenditure in 2010, 2011, 2012 and the six months ended June 30, 2013, primarily for the construction of the port facilities at the Yangzhou Haichang Port. As we develop our new building material business, we need to make substantial capital expenditures in the foreseeable future, leading to a higher level of fixed costs. In particular, we plan to build production facilities for green building materials in the near future. These capital expenditures will be spent in advance of any sales to be generated by the new production facilities for CCA boards. Given the fixed cost nature of our business, we may in the future incur gross losses if our turnover does not adequately recover our capital expenditures.

We anticipate funding our capital expenditures with our existing cash balances and credit lines, cash inflow from operations, together with the expected proceeds of the Global Offering and existing and future bank borrowings. However, in the event of adverse market conditions in the future or changes in our growth plan, manufacturing process, product technologies, prices of machinery and equipment or interest rates, our actual expenditures may exceed our planned expenditures and we may not have sufficient sources of liquidity to effect our current operational plan and would need to secure additional financing from external sources. There can be no assurance that external sources of liquidity will be available to fund our ongoing operations or our product development. The failure to obtain financing would hinder our ability to make continued investments in product development, which could materially and adversely affect our business, results of operations and financial condition.

We plan to increase the use of alternative payment arrangements to expand our business, including BT and BOT, which may result in large trade receivables balance and pressure our liquidity.

As part of our strategy to expand the end market of our waste incineration solutions, we aim to utilize BT and BOT arrangements for the waste incineration projects. Under the BT or BOT arrangement, we will receive the contract price plus interest in a span of one to four years after the completion of the project. On the other hand, we recognize turnover for these projects on a progress basis. See “Financial Information — Critical Accounting Policies and Estimates — Revenue Recognition” for details on the recognition of contracted revenue. Consequently, under these arrangements, payments will be due long after we recognize the revenue, and we expect a longer collection cycle if turnover from BT or BOT projects increase significantly as a

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percentage of our total turnover in the future. A longer collection cycle will result in further pressure on our liquidity, which might have a material and adverse effect on our business and results of operations.

We recorded net current liabilities as of June 30, 2013. There can be no assurance that we will record net current assets in the future.

We recorded net current liabilities of RMB246.8 million as of June 30, 2013. See “Financial Information — Working Capital” for detailed analysis on our net current liability position. There can be no assurance that we will be able to improve our liquidity and record net current assets. If we continue to record net current liabilities, we may face a deficiency of working capital and may not be able to service short term debts. Any of these events could have a material adverse impact on our business and results of operations.

We may undertake acquisitions, investments, joint ventures or other strategic alliances, which may not be successful or which otherwise may have a material adverse effect on our ability to manage our business.

Our strategy includes plans to grow both organically and through acquisitions, participation in joint ventures or other strategic alliances with suppliers or other companies in China and overseas along the environmental protection industry value chain. Acquisitions of companies or businesses and participation in joint ventures or other strategic alliances are subject to considerable risks, including:

- our inability to integrate new operations, personnel, products, services and technologies;
- unforeseen or hidden liabilities, including exposure to lawsuits associated with newly acquired companies;
- the diversion of financial or other resources from our existing businesses and technologies;
- disagreement with joint venture or strategic alliance partners;
- contravention of regulations governing cross-border investment;
- failure to comply with laws and regulations as well as industry or technical standards of the markets into which we expand;
- exposure to operation, regulatory, market and geographic risks and additional capital requirements;
- our inability to generate sufficient revenues to offset the costs and expenses of acquisitions, strategic investments, joint venture formations or other strategic alliances; and
- potential loss of, or harm to, employees or client relationships.

Any of the above risks could significantly impair our ability to manage our business and materially and adversely affect our business, results of operations and financial condition.

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Our success depends on the continuous services of our senior management team and other key personnel.

Our future success depends heavily upon the continuous services of our executive directors and members of our senior management team, in particular Mr. Guo Jingbin and Mr. Ji Qinying. Our management team comprises both experienced engineers and professional managers, with extensive experience in the industries directly related to providing energy preservation and environmental protection solutions, including the environmental protection service industry and building materials industry. If one or more of our senior executives, key research and development personnel or other personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. As competition in the PRC for senior management and key personnel with experience in energy preservation and environmental protection industries is intense, and the pool of qualified candidates is very limited, we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. If we fail to attract and retain qualified personnel, our business and prospects may be adversely affected.

Our insurance coverage may be inadequate to protect us from potential losses.

As the insurance industry in China is in its early stage of development, the business interruption insurance and the product liability insurance available in China offer limited coverage compared to that offered in many other countries such as the United States. We do not maintain business interruption insurance. Any business disruption or natural disaster could result in substantial costs and a diversion of resources, which would have a material and adverse effect on our business and results of operations. In addition, we do not have product liability insurance covering personal injuries and property damage caused by the products and services we sold or provided up to specified limits. Therefore, we are exposed to risks associated with product liability claims and may need to bear the litigation cost if the use of our products results in body injury or property damage. Furthermore, although we have property insurance, transit insurance, personal injury insurance and accidental medical care insurance, our coverage may be inadequate to fully protect us from potential losses.

Certain of the land and buildings we occupy have defects in title or land use rights, and we may be ordered to relocate from these properties.

As of the Latest Practicable Date, we occupied two parcels of land with an aggregate site area of 373,666 square meters and one building with a GFA of 10,767 square meters at Jiangsu Province without any land use right certificates or leases. One parcel of the land with a site area of 253,356 square meters was used as the back-up dry bulk cargos stacking fields (without any equipment or facilities) for the Yangzhou Haichang Port. The dry bulk cargos that were stacked in such field accounted for approximately 0.7% of the volume of dry bulk cargos that went through Yangzhou Haichang Port since January 2013. The parcel of land with a site area of 120,310 square meters and the building on the land were used for office, canteen and dormitories for the Yangzhou Haichang Port. As the formalities of conversion of such two parcels of collectively owned land into state-owned land have not been accomplished, we are not able to obtain the relevant land use right certificates and thus the building ownership certificate without property land use right certificate. As advised by our PRC legal advisor, such two parcels of collectively owned land may be recovered and the buildings thereon may be dismantled or confiscated, and a fine may be imposed. Meanwhile, the lessor of four buildings in which we lease spaces for dormitories could not demonstrate any evidence of their ownership of the buildings. As advised by our PRC legal advisor, without evidence of ownership, the validity

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of the lease cannot be determined. As a result, a third party may challenge the validity of such leases, and we may be evicted from these buildings if person other than our lessor is judicially determined to be the rightful owner of the buildings.

If we are evicted from either of these properties, we may need to find alternative properties and relocate our back up dry bulk cargos stacking field and certain of our office, canteen and dormitories. In addition, without the back-up dry bulk cargos stacking fields, we might not be able to service our clients properly in case of significant volume of incoming dry bulk cargos. Our failure to locate alternative spaces to be used as office, canteen or dormitory, the operation efficiency of our staff may be undermined, which in turn might have an adverse effect on our business.

Transfer of equity interest in Conch Holdings is subject to certain restrictions.

Under the articles of association of Conch Holdings, any shareholder who intends to transfer its equity interest in Conch Holdings to any third party must obtain consents of all other shareholders of Conch Holdings before the transfer. Any shareholder who disagrees with the transfer shall purchase such equity interest, and such shareholder will be deemed as agreeing with the transfer if it does not purchase the equity interest concerned within the prescribed time of offer. While we currently have no plan to transfer our equity interest in Conch Holdings, we will need to follow the relevant procedures if we decide to transfer such equity interest and realize its value.

RISKS RELATING TO OUR INDUSTRY

If we fail to accurately estimate our costs or fail to execute within our cost estimates on fixed-price, lump-sum contracts, our results of operations would be adversely affected.

A substantial portion of our turnover is derived from fixed-price, lump-sum contracts. Under these contracts, we perform our services and execute our projects at a fixed price and, as a result, we may be unable to recover any cost overruns. Fixed-price contracts carry inherent risks, including risks of losses from underestimating costs (including costs for equipment, materials and labor), operational difficulties and other changes that may occur during the contract period. If our cost estimates for a contract are inaccurate, or if we do not execute the contract within our cost estimates, our turnover may be reduced or the project may not be as profitable as we expected. In addition, we are sometimes required to incur costs in connection with modifications to a contract that may not be approved by the customer as to scope and/or price, or to incur unanticipated costs, including costs for customer-caused delays, errors in specifications or designs, or contract termination, that we may not be able to recover. These, in turn, could have a material adverse effect on our business, operating results and financial condition. The revenue, operating cost and gross profit on such contracts can vary, sometimes substantially, from the original projections due to changes in a variety of factors, such as:

- failure to properly estimate the cost of engineering, materials, equipment, labor or subcontractor;
- project modifications creating unanticipated costs or execution difficulties;
- our suppliers' or subcontractors' failure to perform; and
- exacerbation of any one or more of these factors as projects grow in size and complexity.

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These risks may increase if the duration of the project is long-term because there is an increased probability that the circumstances upon which we based our original estimation will change in a manner that increases our costs.

Our customers pay us by way of progress payments and require retention money, and delay in progress payments or release of retention money or cancellations of contracts at a later stage may affect our net income, working capital and cash flow.

Most of our contracts provide for progress payments with reference to the value of work completed. These contracts generally require a project or site manager to measure the work completed and to issue a progress certificate certifying the work progress and the customers to make progress payments based on the progress certificate. We are often required to commit resources to projects prior to receiving payment from customers in amounts sufficient to cover expenditures on the projects as they are incurred. For example, we commence production of key equipment and purchase equipment and components from third-party suppliers and we appoint subcontractors to perform portions of our services. In some cases, we pay our suppliers and subcontractors before our customers pay us for the related services. In addition, a portion of the contract value, normally 5%, is typically withheld by the customer as retention money to be released after the expiration of warranty period.

As a result, delays in progress payments or release of withheld money from our customers or cancellation of contracts by our customers may increase our working capital needs. If a customer defaults in making its payments or cancels a contract at a later stage on a project to which we have devoted significant resources, it could also affect our liquidity and decrease the capital resources that are otherwise available for other uses.

We cannot assure you that services performed by independent contractors will always meet our standards or such services will be available within our budget.

We engage independent contractors to provide various services, such as installation of equipment, trial operation of system and provision of technical training to our clients. We cannot assure you that the services rendered by any of these independent contractors or subcontractors will always be satisfactory or meet our quality and safety standards or such services will be within our budget. If the performance of any independent contractor is not satisfactory, we may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of our projects. Moreover, the completion of our projects may be delayed, and we may incur additional costs due to a contractor's financial or other difficulties. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO CONCH CEMENT AND CONCH PROFILES

The businesses of Conch Cement and Conch Profiles are affected by the level of activity in the construction industry which is affected by the general economic conditions in China.

The businesses of Conch Cement and Conch Profiles are substantially affected by the general level of activity in the construction industry in China. General economic conditions, mortgage and interest rate levels, inflation, unemployment, demographic trends, gross domestic product growth and consumer confidence are some of the factors which may influence the performance of the construction industry. A downturn in the construction industry in China or in any of the regional markets in which we operate could materially and adversely affect their financial condition and results of operations. In addition, any decrease in activities related to the

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government infrastructure projects, could affect the demand for the products of Conch Cement and Conch Profiles, which in turn could have a material and adverse effect on their business, financial condition and results of operations.

Conch Cement is exposed to the risks of increasing energy and raw material costs, and the inability to secure a steady supply of such resources.

Conch Cement's energy costs in connection with the purchase of coal and electricity contribute a significant portion to the costs in the cement business. Coal is one of the principal sources of energy used by both companies to fuel the cement operations, and Conch Cement relies heavily on being able to procure a steady supply of coal. Conch Cement also uses a substantial amount of electricity in the production process. Therefore any shortage or interruption in the supply of coal or electricity could disrupt the operations and increase the costs of sale for Conch Cement. Conch Cement has implemented residual heat power generation systems to reduce electricity costs.

Raw materials used in cement production are also subject to price volatility caused by external conditions such as fluctuations in commodity prices and changes in government policies and programs. There can be no assurance that Conch Cement will continue to procure sufficient principal raw materials at reasonable prices, or that the prices we pay for raw material or energy will remain stable in the future. In addition, Conch Cement may not be able to transfer some or all of the increase in costs to the customers. As a result, any increase or material fluctuations in the prices of the raw materials or energy could have a material adverse effect on Conch Cement's business, financial condition and results of operations.

Conch Cement is subject to cement price fluctuations, and its competitiveness depends on its ability to control costs and maintain high levels of operational efficiency.

Conch Cement's financial performances are highly dependent on the prevailing prices of cement and other related materials in China. Historically, such prices have been influenced by the forces of supply and demand dynamics, market conditions, overall economic growth as well as a variety of other factors beyond control. Government actions may also affect cement prices. These external factors, in addition to the volatility of the markets in China, render cement prices difficult to predict. Any substantial or extended decline in cement prices would adversely affect Conch Cement's results of operations and financial condition.

Conch Cement's competitiveness, long-term profitability and ability to undertake the capital expenditures necessary to expand its business depend on whether it is able to control its costs and maintain high levels of operational efficiency. Such efforts include minimizing the costs of extracting raw materials and managing other costs such as power, labor and transportation. The production costs of Conch Cement are also affected by production volumes, and thus its ability to maintain production levels and maximize capacity utilization is a key factor in determining its overall competitiveness. There can be no assurance that Conch Cement will be able to maintain or increase its production volumes in the future. A sustained and material decline in Conch Cement's product prices, a significant rise in its production costs, or a decline in the production volumes or capacity utilization could each have a material adverse effect on Conch Cement's business, financial condition and results of operations.

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RISKS RELATING TO DOING BUSINESS IN THE PRC

A slowdown of China's economy may adversely affect our business, results of operations and financial condition.

Our results of operations and financial condition, as well as our future prospects, have been and will continue to be significantly affected by economic conditions in China, which in turn are influenced by the global economy. In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. However, the global financial crisis that unfolded in 2008 and continued in 2009 has led to a marked slowdown in the economic growth of the PRC. For example, the GDP growth rate of the PRC dropped to 7.8% in 2012 compared to double-digit growth rates during the period from 2003 to 2007, according to the National Bureau of Statistics of China. Meanwhile, one of the main drivers of economic activity in the PRC is export. The deterioration of the global economy has affected the PRC's international trade, which in turn may negatively impact China's general economic condition. Furthermore, the European sovereign debt crisis, the downgrade of the U.S. credit rating and resulting economic instability may further adversely impact Chinese economy. If China's economy experiences or continues to experience slower growth or a significant downturn, the demand of our products may significantly decline, which could have a negative impact on our business, results of operations and financial condition.

Changes in the PRC economic, political and social conditions, as well as government policies, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Substantially all of our business assets are located in the PRC and a substantial portion of our turnover is derived from the PRC. Accordingly, our results of operations are subject, to a significant degree, to the economic, political and legal developments of the PRC. Political and economic policies of the PRC Government could affect our business and financial performance and may result in our being unable to sustain our growth.

The economy of the PRC differs from the economies of most developed countries in a number of respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange. Before its adoption of reform and open door policies beginning in 1978, the PRC was primarily a planned economy. Since that time, the PRC Government has been reforming the PRC economic system, and has also begun reforming the government structure in recent years. These reforms have resulted in significant economic growth and social progress. Although the PRC Government still owns a significant portion of the productive assets in the PRC, economic reform policies since the late 1970s have emphasized autonomous enterprises and the utilization of market mechanisms, especially where these policies apply to businesses such as ours. We cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our future business, results or financial condition.

Our ability to continue to expand our business is dependent on a number of factors, including general economic and capital market conditions and credit availability from banks or other lenders. Recently, the PRC Government has articulated a need to contain the build-up of a property bubble and may tighten its bank lending policies, including increasing interest rates on bank loans and deposits and tightening the money supply to control growth in lending. Stricter lending policies may, among other things, affect our and our customers' ability to obtain financing which may in turn adversely affect our growth and financial condition. We cannot give any assurances that further measures to control growth in lending will not be implemented in a

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manner that may adversely affect our growth and profitability over time. In addition, the global economic recession and market volatility that persisted in the past two years may continue and therefore we may not be able to sustain the growth rate we have historically achieved.

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

Our business and operations are primarily conducted in the PRC and are governed by the PRC laws and regulations, rules and regulations. Our PRC subsidiaries are generally subject to laws, rules, and regulations applicable to foreign investments in the PRC. In addition, our offshore holding companies and certain transactions between them may be subject to various PRC laws and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference, but have limited weight as precedents. Since the late 1970s, the PRC Government has significantly enhanced the PRC legislation and regulations to provide protection to various forms of foreign investments in the PRC. However, the PRC has not developed a fully-integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activity in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until sometime 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 the PRC may be protracted and may result in substantial costs and the diversion of resources and management attention.

We face risks related to health epidemics and other outbreaks of contagious diseases, including avian flu, SARS, and swine flu.

Our business could be adversely affected by the effects of avian flu, SARS, swine flu or another epidemic or outbreak. In early 2013, there were outbreaks of highly pathogenic avian flu, caused by the H7N9 virus, in certain parts of China, and in early 2009, there were reports of outbreaks of a highly pathogenic swine flu, caused by the H1N1 virus, in certain regions of Asia and Europe. An outbreak of contagious diseases, and other adverse public health developments in China, would have a material adverse effect on our business operations. These could include restrictions on our ability to travel or to ship our products outside of China, as well as cause temporary closure of our manufacturing facilities. Such closures or travel or shipment restrictions would severely disrupt our operations and adversely affect our financial condition and results of operations. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of avian flu, SARS, swine flu or any other epidemic.

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

The RMB is not currently a freely convertible currency. We receive all of our payments from customers in RMB and will need to convert RMB into foreign currencies for the payment of dividends, if any, to holders of our Shares. Under the PRC's existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, the PRC Government may take measures at its discretion in the future to restrict access to foreign currencies for current account transactions if foreign currencies become scarce in the PRC. We may not be able to pay dividends in foreign currencies to our shareholders if the PRC Government restricts access to foreign currencies for current account

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transactions. Foreign exchange transactions under our capital account continue to be subject to significant foreign exchange controls and require the approval of the SAFE. These limitations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

The exchange rate of the RMB against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC Government and changes in the PRC's and international political and economic conditions. Since 1994, the conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the People's Bank of China, which are set daily based on the previous business day's interbank foreign exchange market rates and current exchange rates on the world financial markets. On July 21, 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC Government has since made, and in the future may make, further adjustments to the exchange rate system. From July 21, 2005 to December 3, 2013, according to the PBOC official website, the value of RMB has appreciated by approximately 32.2% against the U.S. dollar.

There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of RMB against the U.S. dollar, the Hong Kong dollar or other foreign currencies. If the appreciation of RMB continues, and as we need to convert the proceeds from the Global Offering and future financing into RMB for our operations, appreciation of RMB against the relevant foreign currencies would reduce the RMB amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of RMB against the Hong Kong dollar could reduce the amount of any cash dividends on our Shares in Hong Kong dollar terms.

We may be deemed to be a PRC tax resident under the EIT Law and our PRC-sourced income may be subject to PRC withholding tax under the EIT Law.

We are incorporated under the laws of the Cayman Islands and directly hold interests in our PRC operating subsidiaries. Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which took effect on January 1, 2008, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC resident enterprise are subject to a 10% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement.

The EIT Law provides that if an enterprise incorporated outside the PRC has its "de facto management bodies" within the PRC, such enterprise may be deemed a "PRC resident enterprise" for tax purposes and be subject to an enterprise income tax rate of 25% on its global incomes. "De facto management body" is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation promulgated a circular to clarify the certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises. These criteria include: (i) the enterprise's day-to-day operational management is primarily exercised in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. However, there have been no official implementation

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rules regarding the determination of the “de facto management bodies” for foreign enterprises which are not controlled by PRC enterprises (including companies like ourselves). Therefore, it remains unclear how the tax authorities will treat a case such as ours. We cannot assure you that we will not be considered a PRC resident enterprise for PRC enterprise income tax purposes and be subject to the uniform 25% enterprise income tax on our global incomes. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC incorporated subsidiary to us will meet such qualification requirements even if we are considered a PRC resident enterprise for tax purposes.

Furthermore, the EIT Law provides that, (i) if the enterprise that distributes dividends is domiciled in the PRC, or (ii) if gains are realized from transferring equity interest of enterprises domiciled in the PRC, then such dividends or capital gains are treated as PRC-sourced income. It is not clear how “domicile” may be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered a PRC resident enterprise for tax purposes, any dividends we pay to our overseas corporate shareholders who are not deemed a PRC resident enterprise as well as gains realized by such shareholders from the transfer of our Shares may be regarded as PRC-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10%.

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

Under the EIT Law, we may in the future be deemed as a PRC resident enterprise by the PRC tax authorities for tax purpose. As such, it may be required to withhold PRC income tax on capital gains realized from sales of our Shares and dividends distributed to Shareholders, as such income may be regarded as income from “sources within the PRC”. In this case, our foreign corporate Shareholders who are not deemed a PRC resident enterprise may become subject to a 10% withholding income tax under the EIT Law, unless any such foreign corporate Shareholder is qualified for a preferential withholding rate under a tax treaty. If the PRC tax authorities deem us as a PRC resident enterprise, Shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties will need to apply to the PRC tax authorities for recognition of eligibility for such benefits in accordance with the Circular of SAT on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties (關於印發非居民企業享受稅收協定待遇管理辦法(試行)的通知) (“Circular 124”), issued on August 24, 2009. Further, according to Circular 124, which became effective on October 1, 2009, the 5% tax rate does not automatically apply. It is likely that eligibility will be based on a substantive analysis of the Shareholder’s tax residency and economic substance. With respect to dividends, the beneficial ownership tests under Circular on Interpretation and Determination of Beneficial Owner under Tax Treaties (關於如何理解和認定稅收協定中“受益所有人”的通知) (“Circular 601”) will also apply. If determined to be ineligible for treaty benefits, such a Shareholder would become subject to higher PRC tax rates on capital gains realized from sales of our Shares and on dividends on our Shares. In such circumstances, the value of such Foreign Shareholders’ investment in our Shares sold in the Global Offering may be materially and adversely affected.

Similarly, Circular of State Administration of Taxation on Strengthening Corporate Income Tax Management on Non-resident Enterprises Equity Transfer Income (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) (“Circular 698”), provides that except for the purchase and sale of equity through a public securities market, where a foreign corporate investor indirectly transfers the equity of a PRC resident enterprise by disposing the equity of an overseas holding company (“Indirect Transfer”) located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5%; or (ii) does not tax its residents on their foreign income, the

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foreign corporate investor shall report the Indirect Transfer to the competent PRC tax authority within 30 days from the date when the equity transfer agreement was made. In this case, the PRC tax authority will examine the true nature of the Indirect Transfer. Should it deem the foreign investor to have made the Indirect Transfer without reasonable commercial purpose and in order to avoid the PRC tax, the PRC tax authority may disregard the existence of the overseas holding company that is used for tax planning purpose and re-characterize the Indirect Transfer. As a result, gains derived from such Indirect Transfer by the foreign investor may be subject to the PRC enterprise income tax.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands and operate our core businesses through our operating subsidiaries in the PRC. Therefore, the availability of funds to pay dividends to our Shareholders depends upon dividends received from these subsidiaries. If our subsidiaries incur debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted. The PRC laws and regulations require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including Hong Kong Financial Reporting Standards (“HKFRS”) and International Financial Reporting Standards. The PRC laws and regulations also require foreign-invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

In addition, Under the EIT Law, if a foreign entity is deemed to be a “non-resident enterprise” as defined under the EIT, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since January 1, 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements. According to the double taxation avoidance arrangement between the PRC and Hong Kong, dividends paid by a PRC foreign-invested enterprise, such as Conch Venture Green, in the PRC to its shareholder(s) incorporated in Hong Kong, such as Conch Venture HK, will be subject to withholding tax at a rate of 5% if the Hong Kong company directly holds 25% or more interest in the PRC enterprise. The SAT issued Circular 601 on October 27, 2009, which addresses which entities are treated as “beneficial owners” under the treaty articles on dividends, interest and royalties. According to Circular 601, the PRC tax authorities must evaluate whether an applicant (income recipient) qualifies as a “beneficial owner” on a case-by-case basis based on the “substance over form” principle. It is possible, based on these principles, that the PRC tax authorities would not consider our Hong Kong subsidiary, Conch Venture HK, as the “beneficial owner” of any dividends paid from our PRC subsidiaries and would deny the claim for the reduced rate of withholding tax. Under current PRC tax law, this would result in dividends from Conch Venture HK to Conch Venture Green being subject to PRC withholding tax at a 10% rate instead of a 5% rate. This would negatively impact us and it would impact our ability to pay dividends.

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You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC or Hong Kong based on foreign laws against us and our directors and senior management.

We are incorporated in the Cayman Islands. Almost all of our assets, and some of the assets of our Directors are located in the PRC. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned, or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

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

At present, the RMB is not freely convertible to other foreign currencies, and conversion and remittance of foreign currencies are subject to the PRC foreign exchange regulations. Under current PRC laws and regulations, payments of current account items, including profit distributions may be made in foreign currencies without prior approval from SAFE, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions and conducting such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Strict foreign exchange control continues to apply to capital account transactions. These transactions must be approved by or registered with SAFE, and repayment of loan principal, distribution of return on direct capital investment and investment in negotiable instruments are also subject to restrictions.

Under our current corporate structure, our source of funds will primarily consist of dividend payments and repayment of inter-company loans by our subsidiaries in the PRC denominated in RMB. We cannot assure you that we will be able to meet all of our foreign currency obligations or to remit profits out of PRC. If the subsidiaries are unable to obtain SAFE approval to repay loans to our Company, or if future changes in relevant regulations were to place restrictions on the ability of the subsidiaries to remit dividend payments to our Company, our Company's liquidity and ability to satisfy its third-party payment obligations, and its ability to distribute dividends in respect of the Shares, could be materially and adversely affected.

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PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liabilities or penalties, limit our ability to contribute capital to our PRC subsidiaries, limit our PRC subsidiaries' ability to increase its registered capital or distribute profits to us, or may otherwise adversely affect us.

A public notice issued by SAFE, the SAFE Circular No. 75, requires PRC residents to register with the local SAFE branch before establishing or controlling any company, referred to in the notice as a "special purpose offshore company" ("SPV"), outside of China for the purpose of acquiring any assets of or equity interest in PRC companies and raising funds from overseas. In addition, any such PRC resident is required to update the previously filed registration to reflect any material alteration in the capital of such SPV involving no roundtrip investment, such as the merger of, and the long-term equity or debt investment by the SPV. If any PRC shareholder of the SPV fails to make or update the required registration, the PRC subsidiaries of that SPV may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the SPV, and similarly, the SPV may also be prohibited from contributing additional capital into its PRC subsidiaries. Furthermore, failure to comply with the foregoing requirements could result in liability under the PRC laws for evasion of applicable foreign exchange restrictions.

As specified in the SAFE Circular No. 75, a SPV as mentioned here shall refer to an overseas enterprise directly established or indirectly controlled by a domestic resident legal person or domestic resident natural person for the purpose of engaging in equity financing (including convertible bond financing) abroad with the enterprise assets or equity interests it/he/she holds inside China. Our PRC legal advisor has advised us that, indirect shareholders and beneficial owners of our Company who are the domestic resident natural person have registered with the local SAFE branch as required under the SAFE Circular No. 75. However, a failure of these domestic resident natural person to amend their SAFE registrations in a timely manner pursuant to the SAFE Circular No. 75 or the failure of future shareholders and beneficial owner of our Company who are domestic residents to comply with the registration procedures set forth in the SAFE Circular No. 75 may subject such shareholders to fines and legal sanctions and may also result in restrictions on our PRC subsidiaries' ability to distribute profits to us or otherwise materially and adversely affect our business.

In addition, we cannot assure you that the PRC regulatory authorities will not issue new regulations or further interpretations of the SAFE Circular No. 75 or other current PRC laws and regulations that may require our beneficial owners file and/or amend their registration with the local SAFE branch. A failure of the aforesaid shareholders or beneficial owners of our Shares who are domestic residents to comply with these regulations and rules in the future could subject us to fines or legal sanctions, including restrictions on our PRC subsidiaries' ability to pay dividends or make distributions to, or obtain foreign-currency-dominated loans from us, and our ability to increase our investment in China. As a result, our business and results of operations and our ability to distribute profits to you could be materially and adversely affected.

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

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the net proceeds from the Global Offering, are subject to PRC regulations. For example, any of our loans to our PRC subsidiaries cannot exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under relevant PRC laws and the registered capital of our major PRC subsidiaries, and such loans must be registered with the local branch of SAFE. In addition, our capital contributions to our

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major PRC subsidiaries must be approved by the Commerce Authority. 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 such 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 and would have a material adverse effect on our business, financial condition and results.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Joint Global Coordinators on behalf of the Underwriter(s) and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of our Company may affect the volume and price at which our Shares will be traded.

The market price of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in the Global Offering.

The price at which the Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors some of which are beyond our control, including:

- our or Conch Cement's financial results;
- changes in securities analysts' estimates, if any, of our or Conch Cement's financial performance;
- the history of, and the prospects for, us and the industry in which we or Conch Cement competes;
- an assessment of our or Conch Cement's management, our or Conch Cement's past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our or Conch Cement's development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours or Conch Cement's; and
- general market sentiment regarding our or Conch Cement's products, services, business industry and companies.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of Shares regardless of our operating performance or prospects.

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

Potential investors will pay a price per Share that substantially exceeds the per Share value of the Company's tangible assets after subtracting the Company's total liabilities and will therefore experience immediate dilution when potential purchasers of the Shares offered in the Global Offering. As a result, if the Company were to distribute its net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares.

We may need to raise additional funds in the future to finance further expansion or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the Shares.

The Offer Price may not be indicative of prices that will prevail in the trading market, and the market price of Shares may be volatile.

The Offer Price to the public of our Shares sold in the Global Offering will be determined on the Price Determination Date and may not be indicative of prices that will prevail in the trading market. Our Shares will not commence trading on the Stock Exchange until the Share certificates are delivered, which is expected to be on the fifth Business Day after the Price Determination Date. As a result, purchasers of Shares may not be able to sell or otherwise deal in our Shares during that period. The price and trading volume of the Shares may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our or Conch Cement's services or products or fluctuations in market prices for similar companies could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade. We can give no assurance that these developments will not occur in the future. Accordingly, holders of our Shares are subject to the risk that the market price of our Shares could be lower than the Offer Price.

We may not be able to pay any dividends on our Shares.

We cannot guarantee when and in what form dividends will be paid on our Shares following the Global Offering, or at all. The declaration of dividends is proposed by the board of directors and is based on, and limited by, various factors, including, without limitation, our business and financial performance, capital and regulatory requirements and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our shareholders in the future, even if our IFRS financial statements indicate that our operations have been profitable. For further details on our dividend policy, please refer to the section headed "Financial Information — Dividend Policy" in this prospectus.

Certain statistics contained in this prospectus are derived from a third party report and publicly available official sources.

Certain statistics contained in this prospectus relating to the PRC, the Chinese economy and the industries in which we operate have been derived from various official government publications or other third party reports we generally believe to be reliable. We have taken reasonable care in the reproduction or extraction of the official government publications or other third party report for the purpose of disclosure in this prospectus, however, we cannot guarantee

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the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Underwriters or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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

MANAGEMENT PRESENCE IN HONG KONG

Waiver from compliance with Rule 8.12 of the Listing Rules

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

The core business and operations of our Group are primarily located, managed and conducted in the PRC. Substantially all of our Company's assets are based in the PRC. All of our executive Directors and our Group's senior management are ordinarily based in the PRC. Our Company does not contemplate in the foreseeable future that it will have any management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

For the above reasons, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the compliance with Rule 8.12 of the Listing Rules on the following grounds:

- our executive Directors and members of the senior management of our Group are, and are expected to continue to be, based in the PRC as it would be more effective and efficient for them to be based in or near the headquarters of our Group and the location where substantially all of the business operations and management functions of our Group are carried out;
- for the purpose of the management and operations of our Group, the appointment of additional executive Directors who are ordinarily resident in Hong Kong would unnecessarily increase the administrative expenses of our Group, and would also reduce the effectiveness and responsiveness of our Board in administering the daily operations of our Group, especially when business decisions are required to be made within a short period of time. In addition, appointing new executive Directors, who may not be familiar with the operations of our Group, to the Board for the sole purpose of satisfying the requirements under Rule 8.12 of the Listing Rules may not be in the best interests of our Company and its Shareholders as a whole; and
- each of our executive Directors and members of the senior management of our Company has a vital role in our Group's business operations and it is important for them to remain physically close to our Group's operations.

In light of the above, our Directors consider that maintaining management presence in Hong Kong as required under Rule 8.12 of the Listing Rules would draw upon our Group's key management resources and is therefore not beneficial to or appropriate for our Group.

In order to ensure that regular communication is effectively maintained between the Stock Exchange and our Company, we will put in place the following measures:

- (a) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Ji Qinying and Mr. Li Jian (both being executive Directors). Both Mr. Ji Qinying and Mr. Li Jian hold valid

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

travel documents to visit Hong Kong. In addition, the joint company secretaries of the Company, Mr. Shu Mao and Ms. Ng Sin Yee, Clare, have been appointed as the alternate authorized representatives of the Company. The authorized representatives, and the alternate authorized representatives, have provided their usual contact details to the Stock Exchange and will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the two authorized representatives, or the alternate authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange. We will inform the Stock Exchange promptly if there is any change in its authorized representatives or the alternate authorized representatives or the contact details of any of them.

- (b) The authorized representatives, and the alternate authorized representatives, will have the means to contact all Directors (including the INEDs) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. Any meetings between the Stock Exchange and our Directors may be arranged through the authorized representatives within a reasonable timeframe. Each Director who is not ordinarily resident in Hong Kong currently possesses valid travel documents to visit Hong Kong for business purposes and will be able to come to Hong Kong and, if required, meet the Stock Exchange upon reasonable notice from the Stock Exchange.
- (c) We will, before the Listing Date, appoint First Shanghai Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, which will act as an additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect the publication of its financial results for the first full financial year commencing after the Listing Date. We will inform the Stock Exchange promptly of any change of our compliance advisor.
- (d) We will appoint other professional advisors (including legal advisors and accountants) to advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong and to ensure that there will be efficient communication with the Stock Exchange after Listing.
- (e) Each of our Directors has provided his respective mobile phone number, office phone number, fax number and email address to the Stock Exchange and the authorized representatives to ensure that they will be readily contactable when necessary to deal promptly with enquiries from the Stock Exchange. In the event that a Director expects to travel and be out of office, he will provide the authorized representatives of the Company with the phone number of the place of his accommodation or the phone number or means of communication where he can be contacted outside Hong Kong.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Waiver from compliance with Rules 3.28 and 8.17 of the Listing Rules

Under Rule 8.17 of the Listing Rules, our Company must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. Under Rule 3.28 of the Listing Rules, our Company must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

Note 1 to Rule 3.28 of the Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Stock Exchange:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Stock Exchange considers when assessing an individual's "relevant experience".

Our Company has appointed Mr. Shu Mao as one of its joint company secretaries. Mr. Shu has been closely involved in the preparation of the Listing, hence he is familiar with the legal and the Listing Rules' requirements as well as the operation of the Board and the Company. From January 1, 2010 onwards, he attended the following training sessions in respect of securities regulatory and compliance matters:

<u>Name of training session</u>	<u>Date(s) of session held</u>	<u>Duration (no. of training hours)</u>	<u>Organizer</u>
Listed companies' publicity management, investor relationship and securities business (上市公司對外信息管理、投資者關係處理、證券業務)	May 16, 2010	2	Conch Cement (internal seminar)
Compliance requirements for operation and management of listed companies (上市公司運行管理規範要求)	May 28, 2012	2	Conch Holdings (internal seminar)
Compliance and requirements under listing rules in relation to listed companies (A-shares and H shares) (A股、H股的上市公司規範管理、上市規則講解要求講座)	September 10, 2012	3	Conch Cement (internal seminar)

In connection with the application for Listing, he also attended a training seminar delivered by our Company's legal advisors to Hong Kong laws to the Directors and senior management of our Company. In addition, Mr. Shu has obtained a copy of the Listing Rules and will have access to updates of the Listing Rules in order to familiarize himself with the regulatory requirements of the Stock Exchange.

However, he does not possess the specified qualifications required by Rule 3.28 of the Listing Rules. As such, we applied for a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

Conditions of the waiver

Given the important role of company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, the following conditions apply to the waiver sought:

- (a) Mr. Shu will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer to be organized by our Company's Hong Kong legal advisors on an invitation basis and seminars to be organized by the Stock Exchange from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules;
- (b) Mr. Shu will also be advised by our PRC and Hong Kong legal advisors if and when necessary;
- (c) we have appointed Ms. Ng Sin Yee, Clare (who meets the requisite qualification and experience under Note 1 to Rule 3.28 of the Listing Rules) as a joint company secretary to work closely with and to provide assistance to Mr. Shu in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date, so as to enable Mr. Shu to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) and to discharge jointly the duties and responsibilities as company secretary. Under the engagement letter made between our Company and Tricor Services Limited ("Tricor"), it has been agreed that Tricor will agree to render corporate secretarial services to our Company, and Ms. Ng Sin Yee, Clare has been nominated by Tricor to assume the office of joint company secretary of our Company and will devote sufficient time to fulfill obligations of company secretary of our Company; and
- (d) upon the expiry of the three-year period, the qualifications and experience of Mr. Shu and the need for on-going assistance will be re-evaluated. Mr. Shu Mao is expected to demonstrate to the Stock Exchange's satisfaction that he, having had the benefit of Ms. Ng's assistance for three years, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. Upon the expiry of the initial three-year period, the qualifications of Mr. Shu Mao will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied. In the event that Mr. Shu Mao has obtained relevant experience under Note 2 to Rule 3.28 of the Listing Rules at the end of the initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

WAIVER FROM COMPLIANCE WITH CHAPTER 14A OF THE LISTING RULES

Our Group and some Connected Persons entered into (i) several agreements (including one master agreement) for our Group's (a) purchase of materials and products; (b) sales of parts and products related to residual heat power generation; (c) receiving design services and export agency services; (d) provision of labor services; and (ii) agreements in connection with leasing of properties and receiving the benefit of property management services, which would, after Listing, constitute continuing connected transactions subject to the various applicable requirements under Chapter 14A the Listing Rules.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in the section headed “Connected transactions” of this prospectus.

WAIVER OF PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) of the Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer’s listed securities to be maintained. This normally means that at least 25% of the issuer’s total issued share capital must at all times be held by the public.

We have applied to the Stock Exchange, and the Stock Exchange has granted to us, a waiver from strict compliance with Rule 8.08(1)(d) of the Listing Rules to allow a reduced public float for the Shares of the Company equivalent to a minimum of 15% of its issued share capital or a higher percentage upon the exercise of the Over-allotment Option.

Our Directors believe that there will be an open market in our Shares and that the number of our Shares in public hands and the extent of their distribution will enable the market to operate properly.

Our Company has made appropriate disclosure of the lower prescribed percentage of public float in this prospectus and will confirm sufficiency of public float in successive annual reports after the Listing.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

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

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

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 is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around December 12, 2013, subject to the Offer Price being agreed. The Global Offering is managed by the Joint Global Coordinators.

If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and the relevant Application Forms.

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 and/or Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or Application Forms may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such 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 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 ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

Save as disclosed in this prospectus, no part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, December 19, 2013. The Shares will be traded in board lots of 500 Shares each. The stock code of the Shares will be 586.

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) 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 advisor 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.

REGISTER OF MEMBERS AND STAMP DUTY

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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, our Shares.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangement relating to the Over-allotment Option are set out under the sections headed “Structure of the Global Offering — Over-allotment Option” and “— Stabilization” in this prospectus.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 39,750,000 Shares from HLGH Fixed Investment pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares is set out in the section headed “How to Apply for Hong Kong Offer Shares” and on the relevant Application Forms.

STRUCTURE OF 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” in this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, of Renminbi amounts into U.S. dollars and of Hong Kong dollars into U.S. dollars at specified rates.

Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars, and vice versa, in this prospectus was made at the following rate:

RMB0.7893 to HK\$1.00

RMB6.1374 to US\$1.00

HK\$7.760 to US\$1.00

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
Non-executive Director		
GUO Jingbin (郭景彬), <i>Chairman</i>	Room 102, Block 16 270 Jiuhuashan Road Jinghu District Wuhu City Anhui Province The PRC	Chinese
Executive Directors		
Jl Qinying (紀勤應), <i>Chief Executive Officer</i>	Room 302, Unit 2 Block 14 270 Jiuhuashan Road Jinghu District Wuhu City Anhui Province The PRC	Chinese
LI Jian (李劍)	Room 101, Unit 1 Block 14 270 Jiuhuashan Road Jinghu District Wuhu City Anhui Province The PRC	Chinese
LI Daming (李大明)	Room 101, Unit 1, Block 7, Xiangzhang City Garden Wuning Road, Xinwu District Wuhu City Anhui Province The PRC	Chinese
Independent Non-executive Directors		
CHAN Chi On (陳志安) (alias Derek CHAN)	Flat G, 21st Floor Tower 15 Yee Wan Court South Horizons No. 15 South Horizon Drive Hong Kong	Chinese
CHAN Kai Wing (陳繼榮)	Apartment 10B, Block 6 Cavendish Heights 33 Perkins Road Jardine's Lookout Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
LAU Chi Wah, Alex (劉志華)	Flat E, 7/F Block 1 Royal Ascot 1 Tsun King Road Shatin Hong Kong	Chinese

Please refer to the section headed “Directors, Senior Management and Employees” of this prospectus for further details of the Directors.

PARTIES INVOLVED

Sole Sponsor

Deutsche Securities Asia Limited
Level 52
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Joint Global Coordinators

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

Goldman Sachs (Asia) L.L.C.
68th Floor
Cheung Kong Center
2 Queen’s Road Central
Hong Kong

Joint Bookrunners

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

Goldman Sachs (Asia) L.L.C.
68th Floor
Cheung Kong Center
2 Queen’s Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen’s Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers

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

Goldman Sachs (Asia) L.L.C.
68th Floor
Cheung Kong Center
2 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Morgan Stanley Asia Limited
Level 46
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Auditor and reporting accountants

KPMG
Certified Public Accountants
8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

Legal advisors to the Company

As to Hong Kong law:

Chiu & Partners
40/F, Jardine House
1 Connaught Place
Central
Hong Kong

As to U.S. law:

Latham & Watkins
18th Floor, One Exchange Square
Central
Hong Kong

As to PRC law:

Jingtian & Gongcheng
34/F, Tower 3
China Central Place
77 Jianguo Road
Chaoyang District
Beijing
China

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<p><i>As to Cayman Islands law:</i> Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands</p>
Legal advisors to the Underwriters	<p><i>As to Hong Kong and U.S. laws:</i> Simpson Thacher & Bartlett 35/F, ICBC Tower 3 Garden Road Central Hong Kong</p> <p><i>As to PRC law:</i> Commerce & Finance Law Offices 6F, NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing China</p>
Industry Consultant	<p>Roland Berger Management Consultants (Shanghai) Co., Ltd. 23/F, Kerry Centre 1515 Nanjing West Road Shanghai China</p>
Receiving Bank	<p>Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong</p>

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office in the PRC	1011 Jiuhua South Road Wuhu City Anhui Province China
Principal place of business in Hong Kong	Suite 4018, 40/F Jardine House 1 Connaught Place Central Hong Kong
Company's website	<u>www.conchventure.com</u> <i>(Information on the website does not form part of this prospectus)</i>
Joint company secretaries	Mr. Shu Mao Ms. Ng Sin Yee, Clare <i>Fellow, Hong Kong Institute of Chartered Secretaries; Fellow, Institute of Chartered Secretaries and Administrators in the United Kingdom</i>
Authorised representatives	Mr. Ji Qinying Room 302, Unit 2 Block 14 270 Jiuhuashan Road Jinghu District Wuhu City Anhui Province The PRC Mr. Li Jian Room 101, Unit 1 Block 14 270 Jiuhuashan Road Jinghu District Wuhu City Anhui Province The PRC
Audit Committee	Mr. Chan Chi On (<i>Chairman</i>) Mr. Chan Kai Wing Mr. Lau Chi Wah, Alex

CORPORATE INFORMATION

Remuneration and Nomination Committee	Mr. Lau Chi Wah, Alex (<i>Chairman</i>) Mr. Chan Chi On Mr. Chan Kai Wing Mr. Ji Qinying
Compliance Advisor	First Shanghai Capital Limited
Cayman Islands Principal Share Registrar and Transfer Agent	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Principal Bankers	Bank of China, Wuhu Branch Industrial and Commercial Bank of China, Wuhu Branch Agricultural Bank of China, Wuhu Branch Bank of Communications, Wuhu Branch Huishang Bank, Wuhu Branch

INDUSTRY OVERVIEW

The information and statistics set forth in this section and elsewhere in this prospectus have been derived from various official and government publications, publicly available market research sources and from the market research report prepared by Roland Berger which was commissioned by us (the “Roland Berger Report”), unless otherwise indicated. We believe that the sources of such information are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other party involved in the Global Offering or any of our or their respective directors, officers, representatives, affiliates or advisors and no representation is given as to its correctness, accuracy and completeness. Certain information and statistics included, including those excerpted from official and government publications and sources in China, may not be consistent with other information and statistics compiled within or outside China by third parties.

REPORT COMMISSIONED FROM ROLAND BERGER

We commissioned Roland Berger, an independent market research and consulting company, to conduct an analysis of, and to report on, the relevant industries in China in which we and our associates currently operate or plan to operate in, for the period from 2007 to 2017. The Roland Berger Report has been prepared independently of our influence. We paid Roland Berger a fee of RMB1.0 million, which we consider reflects the market rates. Founded in 1967, Roland Berger Strategy Consultants is one of the world’s leading strategy consultancies that supports leading international corporations, non-profit organizations and public institutions in a broad range of management issues. Roland Berger started its first project in China in 1983, and has established five offices in the Greater China Area. Roland Berger’s industry coverage in China includes general industry, construction industry and building material industry, among others.

The Roland Berger Report includes information on (i) the cement industry in China; (ii) the plastic profile industry in China; (iii) the residual heat power generation industry in China; (iv) the waste incineration industry in China; (v) the port logistics industry in China; and (vi) the new building materials industry in China, as well as other industry and economic data, which have been quoted in this prospectus. Roland Berger’s independent research was undertaken through both primary and secondary research obtained from various sources within these industries. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Roland Berger’s own research database. Projected data was obtained from historical data analysis derived from macroeconomic data as well as specific industry-related drivers.

Except as otherwise noted, all of the data and forecast in this section are derived from the Roland Berger Report.

Our Directors confirm that, after due inquiry, except as disclosed in “Summary — Recent Developments”, that there is no adverse change in the market information since the issuance of the Roland Berger Report which may qualify, contradict or have an impact on the information therein or contained in this section.

INDUSTRY OVERVIEW

MACROECONOMIC ENVIRONMENT IN CHINA

China's economy has grown significantly, benefiting from the government's economic reform and opening up policies. The real GDP increased at a CAGR of 9.3% between 2007 and 2012 from RMB22.6 trillion to RMB35.3 trillion, surpassing Japan to become the second largest economy in the world in the second quarter of 2010. Based on the "Twelfth Five-Year Plan" and forecasts made by institutions such as the EIU, China's GDP is projected to grow at 7% per annum in the next five years to reach RMB49.5 trillion by 2017.

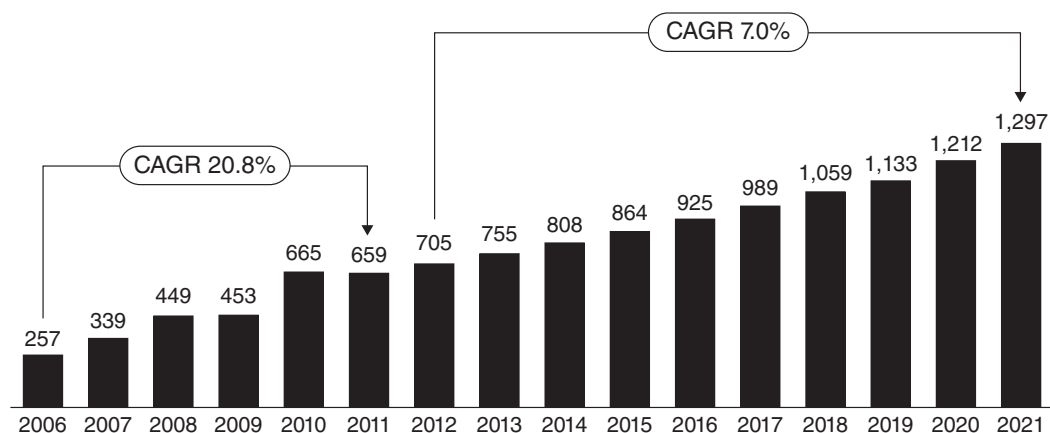
Urbanization

The level of urbanization is one of the most commonly used indices to measure the economic development of a country. The level of urbanization in China has been improving along with its sustained economic growth. The urbanization rate rose from 44.9% in 2007 to 52.6% in 2012. Based on the "Twelfth Five-Year Plan", the urbanization rate is expected to reach 55.0% at the end of 2017.

Investment in Energy Preservation and Environmental Protection

Total investment in environmental protection has been increasing as a percentage of China's GDP during the past decade. As a percentage of GDP, investment in environmental protection increased from 1.0% in 2000 to 1.4% in 2011. Investment in environmental protection during the period from 2006 to 2011 grew at a CAGR of 20.8%, almost doubled the GDP's CAGR in the same period. According to the prediction of Chinese Academy of Science based on the economic growth and level of environmental protection, the total investment in the ten years following 2012 will reach almost RMB10 trillion.

China's Total Investment in Environmental Protection (Unit: RMB in Billion)



Source: National Bureau of Statistics, Institute of Policy and Management of Chinese Academy of Science, Roland Berger analysis

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CEMENT INDUSTRY

Background Information

Market Drivers

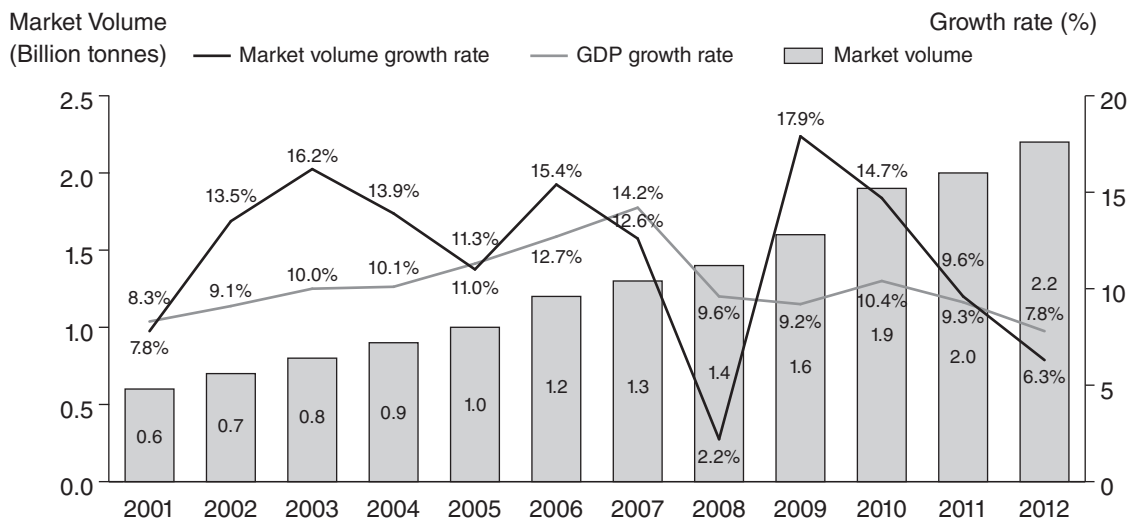
The regional consumption of cement, in general, is related to the economy. Therefore, China's consumption depends on its GDP. In terms of downstream market segments, cement has four major application segments, namely (1) infrastructure construction (e.g., highways, railways, airports and ports), (2) real estate (including residential and commercial), (3) new countryside construction and urbanization, and (4) industrial facility construction. Specifically, the demand that is created by infrastructure construction accounts for almost 40% of the total demand.

In terms of government policies, in order to address the issues including the large-scale outdated capacity, excessive capacity, pollution and under-developed manufacturing of base material and related products, the "Twelfth Five-year Plan" proposed to abandon 250 million tonnes of outdated capacity, to increase the industry concentration by 10%, to reduce the emission in order to meet the standards and to increase the consumption rate of products with the labels over 42.5 to 50%.

Current Market Size

The cement consumption in China reached 2.16 billion tonnes in 2012. During the period from 2001 to 2007, the cement consumption grew at a CAGR of 14%. Since 2008, affected by the global economic crisis, the growth has slowed down. Motivated by the RMB4 trillion stimulus package, the CAGR climbed back up to 16% from 2008 to 2010. However, as the stimulus package ended and economic growth slowed down, the consumption grew at a lower CAGR of 8% from 2010 to 2012.

Domestic Cement Market Size (Unit: Billion tonnes) and Growth



Source: National Bureau of Statistics, China Cement Association

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Since the cement products are not differentiated and are constrained by transportation cost, the market is segmented geographically. The domestic market consists of six segments, namely, northeast, North China, northwest, East China, middle south and southwest. Based on the scale and stage of the segments, we classify them into 3 groups.

Domestic Regional Cement Market Size and Growth

Group	Segment	Province	Consumption (100 million tonnes)	CAGR (2010–2012)
Mature Market	East China	Shandong, Shanghai, Jiangsu, Zhejiang, Anhui, Jiangxi, Fujian	6.96	6.0%
	middle south	Henan, Hubei, Hunan, Guangdong, Guangxi, Hainan	5.75	9.9%
Emerging Market . . .	southwest	Chongqing, Guizhou, Sichuan, Yunnan, Tibet	3.27	17.7%
	northwest	Shaanxi, Ningxia, Gansu, Qinghai, Xinjiang	1.79	22.0%
Undeveloped Market.	North China	Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia	2.48	9.3%
	northeast	Heilongjiang, Liaoning, Jilin	1.36	7.2%

Source: China Cement Association, Industrial expert interviews

Market Size Forecast

Based on the analysis of the data of the past ten years, we found the cement consumption of the country and of the segments is highly correlated with the GDP, urbanization rate, and construction and installation investment. Considering the expected growth rate of 7% for GDP, we expect the national cement consumption might reach 3.1 billion tonnes in 2017, with a 5-year CAGR of 7.4%, of which Northeast China will consume 199 million tonnes, North China 367 million tonnes, northwest 329 million tonnes, East China 877 million tonnes, middle south 803 million tonnes and southwest 572 million tonnes.

Competition Analysis

In terms of sales, the market share of the top ten in the industry rose from 27% in 2011 to 29% in 2012. Of the top ten enterprises, eight gained market share compared to 2011. Though this industry has a tendency to be concentrated, it is currently still at a low concentration level.

In terms of profitability, among the top ten enterprises with highest sales of cement and clinker, Conch Cement has the highest gross margin that is 27.8% in 2012, while 20–25% for other nine, greater than that of medium and small enterprises. The average net profit margin of the top 10 is 8.4% in 2012. Due to its high gross margin and efficient cost control, Conch Cement's net profit margin is 14.1% in 2012, far ahead of other enterprises.

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Top 10 Cement Enterprises' (in terms of sales of cement and clinker) Performance in 2012²

Enterprise	Cement Production (million tonnes)	Listed Corporation Revenue (billion RMB)	Listed Corporation Gross Margin	Listed Corporation Net Profit Margin
China National Building Materials.	220.90	70.37	23.08%	6.37%
Conch Cement	187.00	45.77	27.76%	14.12%
Jidong Cement	69.93	14.61	23.66%	0.94%
China Resources Cement	64.64	20.41	24.07%	9.13%
Shanshui Cement	56.86	12.96	25.44%	9.40%
Huaxin Cement	42.35	12.52	24.40%	5.43%
TCC International	40.20	9.20	18.62%	5.38%
BBMG Corporation.	35.40	34.05	24.46%	9.25%
Tianrui Cement	29.70	6.13	25.01%	10.25%
Asia Cement.	23.88	6.68	16.79%	6.04%

Source: Wind, annual reports

Overseas Market

In 2012, the global cement consumption reached 3.86 billion tonnes, which grew from 2008 at a CAGR of 8.1%. The growth is expected to further slow down. The global cement manufacturing and consumption is driven by the emerging market, which includes China, Southeast Asia, Indonesia, Middle East and Africa. These areas have large cement production with a high growth rate and margin.

Domestic enterprises have started to expand its presence in the overseas market by means varying from cement and clinker export, labor export and manufacturing management contract, to complete value chains including technology innovation, engineering design, equipment manufacturing, installation, production test and maintenance, and operation management. The export revenue of Conch Cement reached RMB1.39 billion in 2012.

The Main Trends in the Industry

Influenced by political guidance, profitability and changes in the supply-demand relationship, the domestic cement market is facing a series of changes, which eventually are going to improve the profitability of the whole industry. These changes include (1) the elimination of outdated production capacity in the next two years, (2) suppressed growth of production capacity, which is going to improve the supply-demand relationship, (3) industrial merging that improves the market concentration, (4) vertical integration driven by the energy preservation and environmental protection, and market opportunities, which increase the revenue streams for the large enterprises and their control of the industry, (5) increasing percentage of the high-grade cement products of high quality and (6) the expansion of domestic enterprises to the overseas market.

² The four subsidiaries of SINOMA are counted as individual market players.

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Market Overview of Vertical Mill

Vertical mill is widely used in industries such as cement, electrical power, metallurgy, chemical and non-metallic mining. Foreign mill manufacturers possess mature technology and product advantages. Leveraging the successful experiences of foreign manufacturers, domestic mill manufacturers also began to upgrade their technology in recent years and gradually rolled out their proprietary or potential vertical mill products. Therefore, the products have gained market acceptance among cement, electrical power and chemical industries in China.

In the modern cement production, the grinding process includes raw materials grinding, cement grinding, coal preparation and slag grinding. In general, the power consumption in grinding process accounts for approximately 60–70% of the total power consumption. Therefore, the R&D emphases of cement grinding technology are to increase efficiency and lower power consumption.

Vertical mills advantages include efficient grinding and drying, good material adaptability, simple process, compact size and low operation and maintenance costs. As a result, vertical mill is widely applied in raw material grinding process. In comparison with ball mill, vertical mill features advanced structure, grinding mechanism, systems, process layouts, automation control and energy efficiency. In particular, the use of thick bed grinding mechanism that enhances grinding efficiency, results in a 20% to 30% reduction in energy consumption. Hot winds of up to 60–80 m/s shorten the time in which the materials remain in the vertical mills. Therefore, it is easy to select qualified powder, and to fulfill automation control in ingredients allocation. Furthermore, the chemical composition and particle size distribution are very even.

Vertical mill is widely applied in foreign countries. In China, new dry cement production lines with daily production of above 5,000 tonnes and slag grinding lines with annual production above 500,000 tonnes have already applied vertical mill, in which the energy efficiency and environment protection effects are very apparent, achieving great economic results. Vertical mill is greatly promoted in cement industry and widely used in coal preparation, slag grinding, gypsum grinding and non-metallic mineral grinding, meanwhile it has good prospect in cement clinker and slag grinding areas.

Outside of China, vertical mill is the prime choice in grinding device in the cement industry, which almost completely substituted ball mill. The stage of development of vertical mill in China is 20–30 years behind developed countries. Therefore, vertical mill just started its application in the cement industry in 2000, and all the vertical mill was imported, with main suppliers being FLSmidth (Denmark), PFEIF-FER (Germany), POLYIUS (Germany), LOESCHE (Germany) and UBE (Japan). This reliance on imported vertical mills has continued until 2007, with the introduction of vertical mill produced in China. Since then, the development and market acceptance of vertical mill has grown rapidly and the market share of imported vertical mills has been surpassed. Some cement production lines established before 2007 applied ball mill due to the high price of vertical mill, and these cement production lines account for approximately 30% of cement production lines in China. Domestically, vertical mill is generally applied in cement raw material production, while the cement vertical mill has not been widely applied, and this has become an important technology upgrade application in the cement industry.

Market Size of Vertical Mill in China

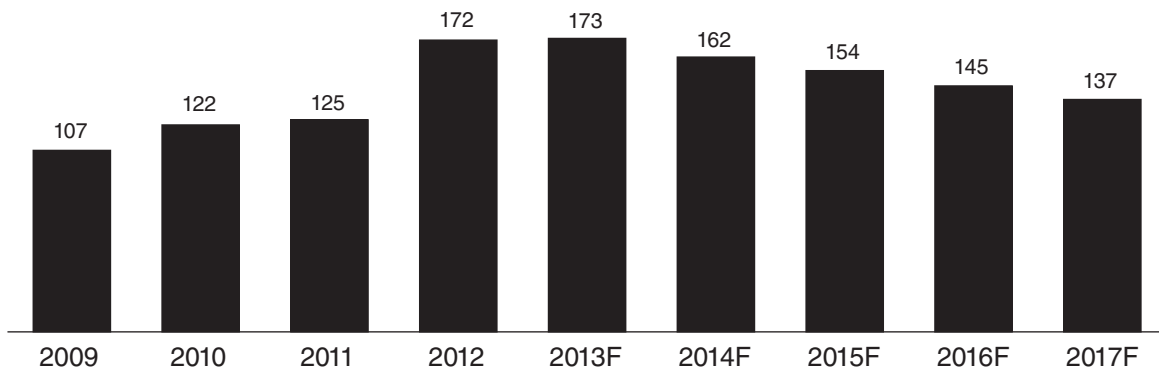
Vertical mill is widely applied in the cement raw material system, with almost 100% usage in newly-established production lines. Due to the differences in coal in various regions, the application rate of coal mill, is lower at approximately around 30–40%. Currently, the penetration

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rate of cement vertical mill is still low, and the demand from upgrading the facilities using ball mill is expected to be robust. As a result, the market for vertical mills is expected to enjoy a strong growth potential.

In the past four years, benefited by the rapid development in infrastructure and real estate construction in China, the cement production capacity has increased accordingly, which result in incremental capacity that drives the growth in demand for vertical mills. For example, the incremental size of the vertical mill market is 107, 122, 125, 172 sets in years 2009, 2010, 2011 and 2012, respectively. In the future, due to industry-wide consolidation and the elimination of low-end production capacity, the incremental production capacity of cement will decrease and hence leading to a slower growth in demand for vertical mill. On the other hand, greater emphasis on energy preservation and, environmental protect lead to the substitute of vertical mill for ball mill in existing cement production lines. This would result in a new growth factor for vertical mill. It is anticipated that the incremental size for vertical mill will be 173, 162, 154, 145 and 137 sets in years 2013, 2014, 2015, 2016 and 2017 respectively.

Vertical mill market size in China (sets)



Source: Roland Berger analysis

Prospect of Overseas Market

The sales of vertical mill produced in China to overseas markets are mainly through cement production equipment procurement projects and complete grinding system projects. China has become an important export player in the cement equipment, and the overseas sales of vertical mill also increase rapidly. This growing trend is expected to continue as the growth of the complete set of cement equipment rises.

Some domestic vertical mills manufacturers are able to compete with their global peers, and foreign cement equipment suppliers have to choose vertical mill produced in China. Also, a number of famous foreign cement production companies have switched to cost effective vertical mills produced in China.

In the coming years, the overall global cement industry is expected to grow at approximately 3% annually, and the cement industry outlook remains good in certain developing countries, Middle East/North Africa, Asia, Latin America and East Europe regions and some parts of Africa as well. As the cement production in these countries and regions rises, establishment of new production lines and upgrades of old production lines are expected to drive greater demand for vertical mill market.

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PLASTIC PROFILE INDUSTRY

Current Market Size

Plastic doors and windows have been the leading products of the market, accounting for 35%–40% of the total demand of doors and windows. China produces the largest quantity of plastic profiles in the world. During the “Eleventh Five-year Plan” period, the sales grew at a CAGR of 11.7%. In 2012, the production of plastic profile doors and windows by the enterprises above designated size was approximately 3 million tonnes, of which 128 tonnes did not meet national standards. As the national product standards become mature and non-standard products are removed from the market, the advantages of big enterprises will become obvious. In 2012, the average price of plastic profile is RMB400/m². According to the statistics, the gross margin of plastic board/tube, and plastic profile was about 15% in the past five years and it depended on the price of PVC that is the raw material.

Plastic profile doors and windows are extensively used in the cold area due to their strong heat preservation capability. The products almost cover the whole market from the low end to the high end, and the markets on the town and country level are growing fast. The colored plastic profile, which enjoy higher margin, boosts the profitability of the whole market.

Despite the slowdown of the current real estate market, urbanization, rural area development and government policies on energy preservation in construction activities are driving the growth of the plastic profile market, primarily because plastic profile features excellent cost-effectiveness, sound insulation, heat preservation and waterproof capability.

Market Size Forecast

During the period from 2013 to 2017, the market is expected to grow at a CAGR of 8%. By 2017, the plastic profile production of the enterprises above designated size will reach approximately 4.25 million tonnes. However, the market faces a series of challenges, which include uncertainty of the government regulation, PVC price variation, recognition in the high-end market and the substitution such as bridge-cut-off aluminum alloy.

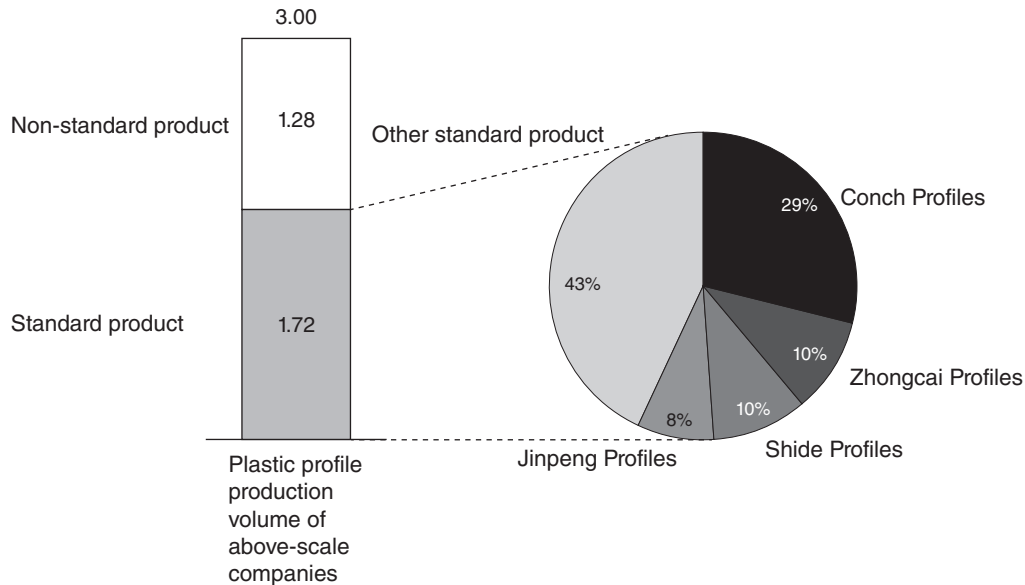
Competition Analysis

To enter the plastic profile market, an enterprise needs strong financial capabilities to realise economy of scale. To succeed in the market, strong brand recognition, advanced technology and extensive network are all required. The market can be classified into three echelons by production, namely, the first echelon consists of the enterprises with production capacity over 100,000 tonnes, the second echelon consists of the enterprises with production

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between 10,000 and 100,000 tonnes, and the third echelon consists of the enterprises with production lower than 10,000 tonnes. The market share breakdown is shown in the figure below.

2012 Market Size (Unit: Million tonnes) and Market Share Breakdown



Source: Roland Berger analysis; Market research

The excessive production capacity has caused the intense competition in the market, which in turn reduces the profit of the whole market. We expect PVC manufacturers and foreign plastic profile companies will enter the market.

Compared to Zhongcai, Shide and Jinpeng, which are all in the first echelon, Conch Profiles is the leader in terms of size, product quality, branding, technology innovation and network. Specifically, Conch Profiles has ranked no.1 by sales in the past nine years; it owns 1,000 sets of molds and has the richest product variety in the industry worldwide; it was granted with a well-known trademark; it is a high-tech enterprise certified by the Ministry of Science and Technology, and owns over 30 patents. It is also the first Chinese company in the industry to obtain CE certification and various other quality certifications. Conch Profiles has sales representatives at over 200 sites.

RESIDUAL HEAT POWER GENERATION INDUSTRY

Market Drivers

The residual heat power generation industry is primarily driven by economic, technological and political factors.

Economic Factors. For a cement production line with a capacity of 5,000 tonnes/day, the associated residual heat can generate up to 60,000 MW-h of power every year. After deducting the operational cost, this residual heat power generation system can save power costs by RMB0.4 every KW-h. Thus, this process can save power generation costs by up to RMB24 million per year. If the project investment is RMB70 million, the most optimistic payoff period can be less than 3 years. Meanwhile, successful claim of CDM credit is able to increase the savings and shorten the payback period. The cement production line with a design capacity of 1.6 million

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tonnes/year can reduce CO₂ emission by 50,000 tonnes a year. This can increase the revenue by approximately RMB1.4 million to RMB3.6 million based on a carbon exchange price of 3–8 Euros per tonne.

Technological Factors. Thanks to the development of residual heat power generation technology, residual heat power generation has been widely applied in cement industry, and has been gradually implemented in steel, glass, chemical and other industries as well. China's domestic residual heat power generation technology is now on par with the world's leading technologies and has gained recognition from large foreign enterprises. The application of domestic technology has expanded not only in the target market for residual heat power generation industry, but also in the overseas market.

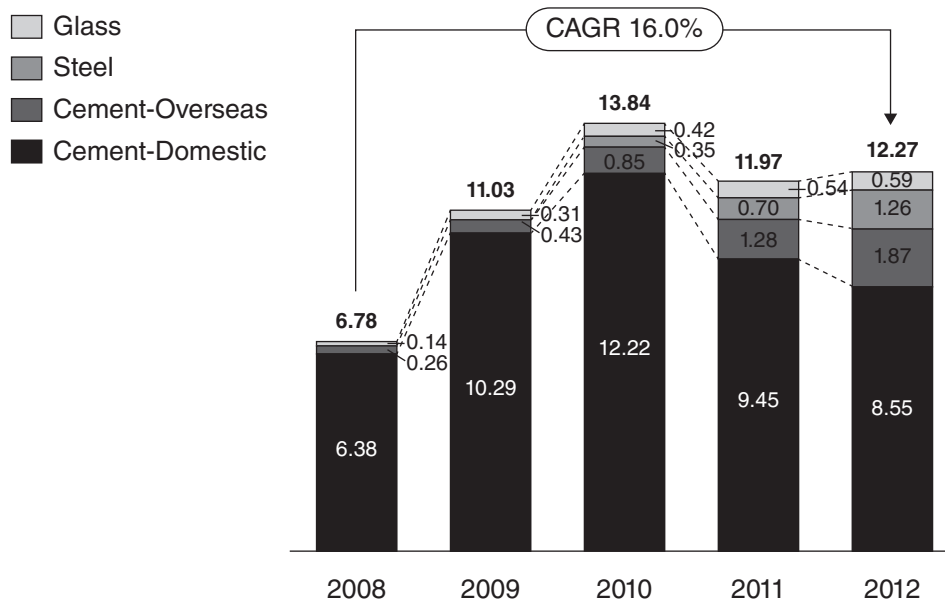
Political Factors. As the progresses in energy preservation and emission reduction have become mandatory indices to measure economic development, residual heat power generation, with its considerable economic and social benefits, has gained spotlight from the national strategy level. According to the “Twelfth Five-Year Plan for Energy Saving and Environmental Protection” and other related policies, China will continue its focus on projects that utilize residual heat power generation during the Twelfth Five-Year Plan. For example, pure low-temperature residual heat power generation and low-grade heat will be further promoted in major steel, nonferrous metal, and construction materials projects. The percentage of the use of pure low-temperature residual heat power generation is targeted to increase from 55% to 70% in cement industry, to more than 30% in glass industry, and to more than 50% in large and medium-sized steel enterprises.

Current Market Size

Domestic cement enterprises began to adopt and employ residual heat power generation in 2005, and the application of the technology has experienced a rapid growth during 2008 to 2010 to reach RMB13.84 billion. In 2011 and 2012, the market size was fluctuating due to slower growth of investment in cement industry and overall fixed asset investment, as well as saturating of penetration residual heat power generation technology in the cement industry.

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Market Size of Residual Heat Power Generation Undertaken by Chinese Enterprises (Unit: RMB in Billion)



Source: Industrial research reports, Industrial expert interviews, Roland Berger analysis

Market Size Forecast

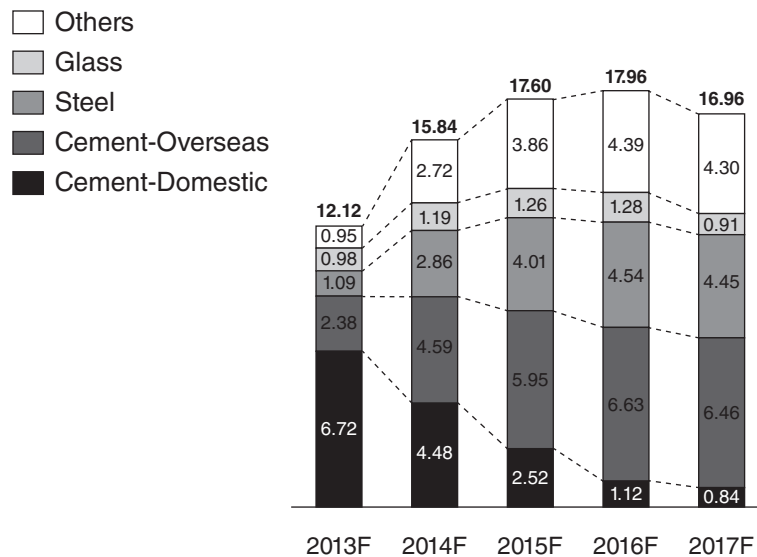
As cement industry in China experiences slower growth and becomes saturated with residual heat power generation technology, residual heat power generation within the cement industry in China has been declining since 2010. However, in other industries, such as steel, chemical and metallurgical, residual heat power generation still has potential to develop since the industries are less mature. According to the “Twelfth Five-Year Plan”, by the end of 2015, the new installed capacity of residual heat power generation in the seven industries (i.e., steel, cement, glass, synthetic ammonia, caustic soda, calcium carbide and sulphuric acid) is expected to be 14,000 MW, with a total of RMB98 billion investment assuming a unit cost of RMB7 million per MW. However, as the economic growth in China slows down and the investment incentive of the enterprises decreases, the investment in residual heat power generation is likely to be delayed by 3 to 4 years than expected, which means the target will not be achieved until 2019.

Outside of China and excluding Japan and Taiwan, residual heat power generation technology has not been widely applied in cement plants. For example, there are only a handful of cement plants that have adopted the residual heat power generation technology in India, which is one of the major cement producing countries. As a result, the growth potential for residual heat power generation technology for cement industry outside of China is strong. In particular, among the approximate of 300 cement plants suitable for residual heat power generation in South and Southeast Asia, Middle East and Latin America (including Turkey, India, Pakistan, Vietnam, Saudi Arab and Brazil but excluding the said countries/areas i.e. China, Japan and Taiwan), only approximately 60 of these projects installed the residual heat power generation technology. As a result, the market for residual heat power generation solutions for cement companies outside of China is expected to grow at a CAGR of 27.9% from RMB1.9 billion in 2012 to RMB6.5 billion in 2017.

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Within the same projection period as above, since residual heat is produced at many steps along the steel production process, the demand for residual heat power generation technology for converters, sintering machines, blast furnaces and dry coke quenching boilers is expected to be strong. Based on the 12th Five Year Plan on industrial energy conservation, residual heat power generation projects with an aggregate of 3,300 MW are expected to be installed or constructed for the steel industry. Assuming a building cost of RMB7.0 million per MW, these additional residual heat power generation projects for steel industry in China are expected to present a market of RMB23.0 billion. Meanwhile, according to Roland Berger, there are approximately 260 glass production lines which are suitable for installing residual heat power generation solutions in China, of which approximately 50 have adopted residual heat power generation solutions. As a result, the potential market for residual heat power generation solutions for glass industry in China is approximately 850 MW, or RMB6.0 billion assuming a building cost of RMB7.0 million per MW. The chart below set forth Roland Berger's projection of addressable market size of residual heat power generation between 2013 and 2017.

Forecast for Addressable Market Size of Residual Heat Power Generation for Chinese players (Unit: RMB in Billion)



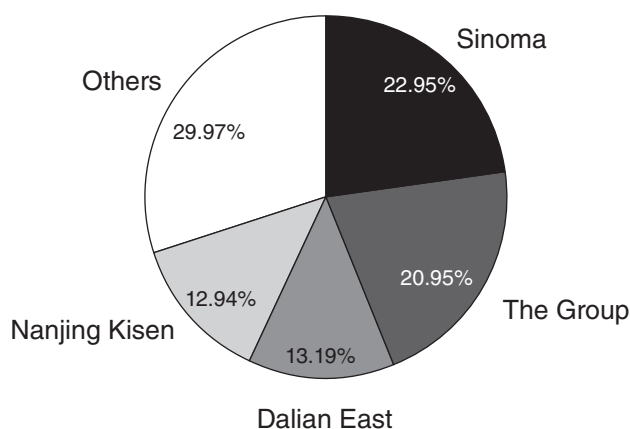
Source: Industrial research reports, Industrial expert interviews, Roland Berger analysis

Competition Analysis

Residual heat power generation in the cement industry is relatively mature and highly concentrated. In 2012, the top four enterprises (i.e., Sinoma Energy Conservation, the Group, Dalian East and Nanjing Kisen) accounted for approximately 70% of total market share. Currently, these leading providers of residual heat power generation solutions have created high entry barrier with regard to ability to provide customized solutions, core technologies and brand recognition, and therefore enjoy competitive advantages. However smaller companies have been lowering their prices to gain market share in the past few years, therefore resulting in downward pricing pressure and lower profitability. However, as the domestic enterprises expand their business abroad and alter their service model, the gross margin and the net profit will increase. On the other hand, since steel, metallurgical and chemical industries are highly specialized, the growth of residual heat power generation in these industries is relatively slow and the markets are fragmented. The major providers of residual heat power generation solutions in the steel industry are Sinosteel MECC and Beijing Century Benefits.

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Market Share of China's Residual Heat Power Generation in 2012 (Cement Industry in China) (by the number of cement production lines)



Source: Industrial research reports, annual reports and public disclosure documents

Overseas Markets

The overseas markets are mainly concentrated in South Asia, Southeast Asia, the Middle East and South America, where residual heat resources have not been fully explored and with lower market entry barrier. As energy prices increase across the globe, developing countries have been paying more attention to residual heat power generation technology. Since these countries are lacking in their own technologies, the barriers to entry for Chinese enterprises are comparatively low. On the other hand, due to the high thermal efficiency of manufacturing processes in developed countries, the exploitable residual heat is limited and the market in developed countries is not attractive.

A number of Chinese residual heat power generation enterprises have entered overseas market (for example, Sinoma Energy Conservation, the Group and Dalian East New Energy Development, with projects mainly in South Asia, Southeast Asia and the Middle East). Chinese enterprises have gained more than 80% market share in the residual heat power generation market in developing countries.

Main Trends In the Industry

Diversified Business Model. The business model has transformed from the single EPC model to the coexistence of EPC, BOT and EMC models. The BOT and EMC models reduce the initial investment by the companies who apply the solution (e.g. cement/steel companies), encourage the enterprise renovation, and provide the energy preservation service companies with higher gross margins and net profits.

Downstream Application Markets Expansion. Residual heat power generation, as a transferable technology, can be applied in steel, glass, metallurgical and chemical industries. Currently, the high energy-consuming industries in China have a fairly low utilization rate of low temperature residual heat, and therefore, are strong potential markets.

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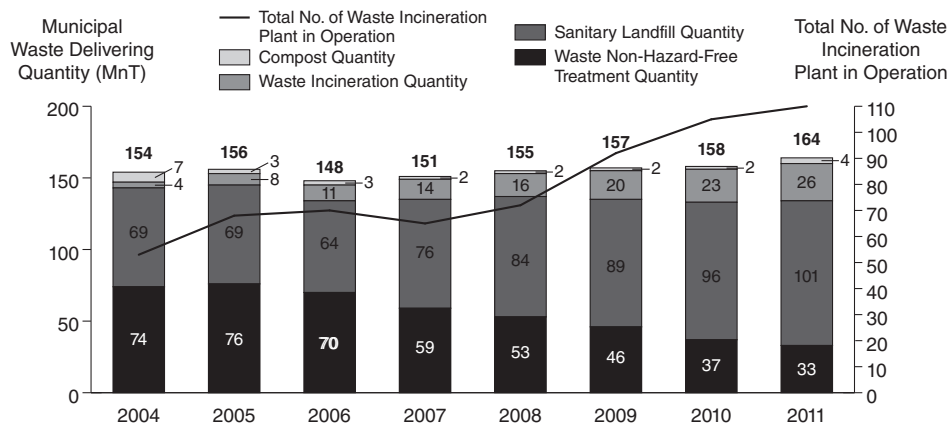
Geographic Expansion. Residual heat power generation has a fairly low penetration rate in cement industries abroad, where technologies are relatively less advanced. China is leading the world in terms of both the residual heat power generation technology and efficiency levels, and therefore, has a promising future in overseas market in cement industry.

WASTE INCINERATION

Market Size of Waste Processing

In 2012, China produced 300 million tonnes of waste, among which 170 million tonnes are municipal waste and 80% are treated via hazard-free methods. The total waste production is expected to grow at a rate of 8% in the coming 5 years. By the end of 2011, sanitary landfill treatment was the most commonly used processing technique, accounting for 77% of the total waste processed via hazard-free methods, followed by incineration, which accounted for 20% of total waste processed via hazard-free methods. Waste incineration has advantages since it takes less space, reduces higher volume and quantity, and creates less secondary pollution. In general, waste incineration is needed for the future development of cities and will be encouraged by government policies.

The Trend in Chinese Municipal Waste Processing Market



Source: National Bureau of Statistics, Roland Berger analysis

Waste Incineration with Cement Kilns

Current Market Size

As of the end of 2012, there were 20 cement production lines equipped with incineration system for up to 6,000 tonnes of waste per day, which implies a total investment of approximately RMB1.6 billion.

To apply the cement kiln waste incineration system, three factors have to be put into consideration: (1) the new dry-process cement line has a capacity of over 2,000 tonnes/day, (2) it should be located within approximately a 80 KM radius around cities, and (3) the line's capacity of co-processing municipal waste has to match with the quantity of the waste that needs to be processed, and the composition of the processed waste and exhaust has to be suitable for cement production.

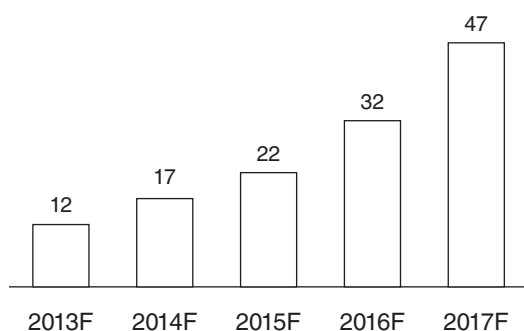
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Based on the current situation of the cement industry and the market demand trend in China, the number of new dry-process cement production lines is expected to increase from 1,637 in 2012 to 1,825 in 2014, including 1,499 lines with capacity of producing over 2,000 tonnes/day. After 2014, the capacity is not likely to increase. Based on the three factors above for municipal waste co-processing in cement kilns, there will be 285 cement production lines in China that are eligible for the application of cement kilns waste incineration system.

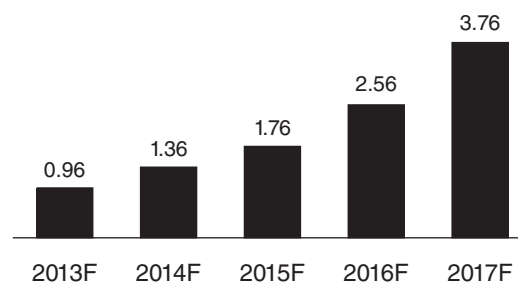
Market Size Forecast

The growing amount of municipal waste that needs to be processed has been fueling the demand for waste incineration. The PRC government has also initiated a number of financial incentives to establish more cement kiln waste incineration facilities. Based on the guidance provided under the 12th Five Year Plan, by the end of 2017, China is expected to have a total of 150 cement production lines that are equipped with cement kiln waste incineration solution, as compared with the 20 cement production lines at the end of 2012. The 130 additional lines present a potential market of RMB10.4 billion in aggregate between 2013 and 2017 or a CAGR of 49.6%.

Number of Newly-Added Municipal Waste Co-processing Cement Production Lines



Investment in New Projects (RMB in billion)



Source: *Twelfth Five-Year Plan, Industrial expert interviews, Roland Berger analysis*

Competition Analysis

The market of municipal waste co-processing in cement kilns is fairly concentrated. The competition is among the Group, Huaxin Cement, Sinoma Energy Conservation and Citic Heavy Industries. As of the end of 2012, the Group accounted for 25% market share in terms of number of cement production lines equipped with cement kilns waste incineration system. In the first half of 2013, there were over 20 projects that have been newly announced or planned, which is more than the total number of projects as of the end of 2012.

Regarding technology, the Group offers leading technology in waste gasification that has good adaptability to various wastes, high resource efficiency, a simple process and without negative effect on the capacity and quality of cement kilns. Moreover, it can process dioxins and control stench effectively and efficiently, and harmlessly treat leachate and safely solidify heavy metals.

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PORT INDUSTRY

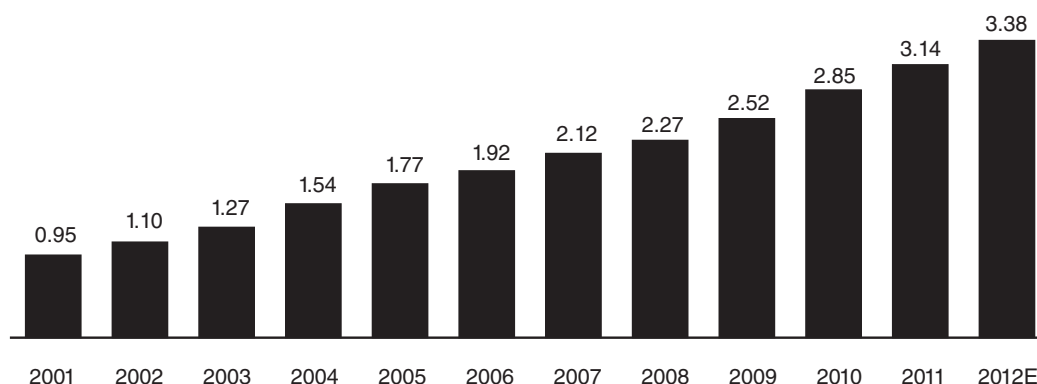
Market Driver

While the hinterland's economic development directly affects the throughput of a port, the hinterland's industry and supply structure directly affect the port's commodity structure. Chinese ports process 95% of the country's total imported crude oil and ores, and manage 33% of the country's total coal transportation volume. Therefore, the throughput of dry bulk cargo relies heavily on the demands of ore and coal. Meanwhile, the GDP and fixed investment, which drive the demands of ore and coal, also have impacts on the throughput of ports. In addition, government policies help the port industry to optimize its industrial structure and expand its scale, and create a good political environment for the port industry's future development.

Current Market Size

In 2012, the throughput of the ports in Yangtze Delta reached 3.4 billion tonnes by estimation. In recent years, the throughput in Yangtze Delta area accounted for approximately 25% of the total throughput in China:

**Yangtze Delta Bulk Throughput (Unit: Billion tonnes)
(Refers to Shanghai, Zhejiang and Jiangsu province)**



Source: *China Transportation Yearbook*

Set forth below is a summary of major ports in Yangtze Delta Area and their throughputs:

Ports	Throughput (million tonnes)
Seaports	
Ningbo-Zhoushan Port	744
Shanghai Port	637
Riverports	
Suzhou Port.	428
Nanjing Port	192
Nantong Port	185
Huzhou Port	178
Zhenjiang Port	135
Jiangyin Port	132
Taizhou Port	132
Jiaying Inland Port	109

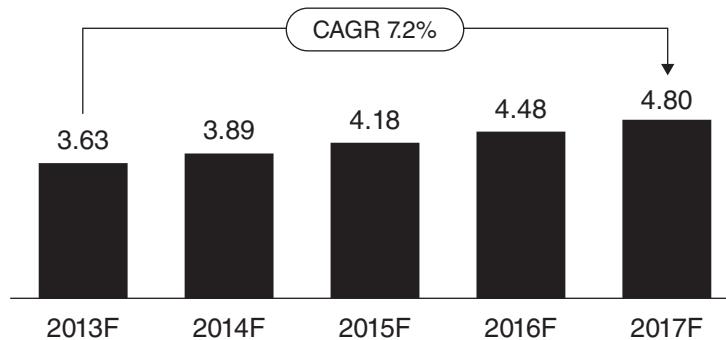
Source: *Highway and Waterway Transportation Industry Statistical Bulletin*

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Market Size Forecast

As the Chinese economy continues to grow, the Chinese port industry is also expected to continue its growth. However, as the domestic economy undergoes structural transformation and decreases its dependence on the foreign trade, China's export is unlikely to continue its rapid growth it has experienced in the past decade.

**Yangtze Delta Bulk Throughput Forecast (Unit: Billion tonnes)
(Refers to Shanghai, Zhejiang and Jiangsu province)**



Source: Industrial expert interviews, Roland Berger analysis

Competition Analysis

The competition exists not only among different ports with overlapping hinterlands, but also among different operators within the same ports. By 2011, Jiangsu Province has 50% of the delta's major ports, 75% of Yangtze River Delta's ports with a throughput of over 100 million tonnes, and has accounted for 47.0% of the total throughput of the delta region. In 2011 and 2012, the top three ports in Yangtze Delta transported 57.0% of the Delta's total throughput. Location advantage, operation efficiency, marketing and customer management abilities play a significant role in the success of a port. Currently, the main dry bulk cargo ports in the Yangtze River Delta include Nanjing Port, Nantong Port and Zhenjiang Port.

A portion of large ships cannot pass through the Nanjing Yangtze River Bridge due to its height limit. Therefore, cargos need to be transhipped at one of the ports located at the downstream of the bridge. Yangzhou Haichang Port is the last downstream port that can call large ships with a tonnage of over 50,000 tonnes. The main bulk cargo ports at Yangzhou Port are Yangzhou Haichang Port and Yangzhou Yuanyang Port. The Yangzhou Haichang Port has reliable demands from Conch Cement and its other business partners and a strong storage capacity for bulk cargo (its static storage capacity is up to 1 million tonnes).

NEW BUILDING MATERIALS INDUSTRY IN CHINA

Overview

Traditional wall building materials include solid and hollow clay bricks, with solid clay bricks phasing out gradually as required by the PRC government. New wall building materials can be categorized into the following: (i) building panels; (ii) building blocks; (iii) non-clay bricks; (iv) cast-in-place or precast concrete walls; (v) steel structure and glass curtain walls; and (vi) wall materials blended with no less than 30% slag. Building panels, as an important category of new

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building materials, include several different types of products like gypsum boards, glass fiber reinforced cement boards, cellulose cement autoclaved (CCA) boards and wood wool cement boards (wood wool cement boards).

Market Drivers

The growth and development of new wall building materials is driven by higher energy-efficiency requirement for buildings, industrialized housing development and macro real-estate policies.

Energy efficiency for buildings. Currently, it is estimated that energy consumed in connection with buildings account for 40% of the overall energy consumption in China, 10% of which is consumed during the manufacturing process of building materials. In view of this, the PRC government issued a series of policies related to new and lightweight building materials, including the mandatory design criteria aimed at 50%–65% building energy saving. These policies are expected to provide favorable conditions for the development of exterior wall thermal insulation material market.

Industrialized housing development. Since the 1990's, the PRC government has promulgated a series of policies related to component parts certification, residential building performance evaluation and industrialization base establishment. However, due to administrative issues, underdeveloped technology and the lack of value chain integration in construction industry, the progress of industrialized housing development in China remains slow. In the future, the new wall building materials market has significant growth potential while facing the risk of developing lag in housing industrialization at the same time.

Macro real-estate policies. The development of new wall building materials market is subjected to the risk of uncertain real estate market regulations and policies.

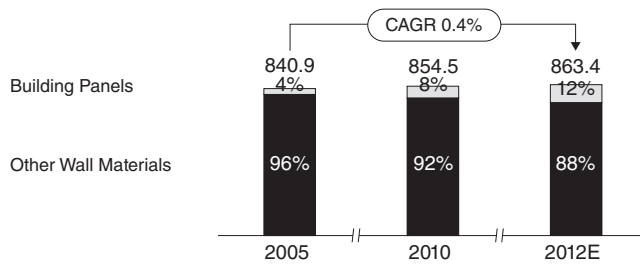
Current Market Size

With the booming of China's construction industry in recent years, the building area constructed by developers reached 3.46 billion square meters in 2012, driving wall material market to grow continuously. According to "Twelfth Five-Year Plan for New Building Material Industry", wall material market size in 2012 reached 863.4 billion standard bricks, within which the proportion of new wall materials is 59%. Assuming that the price of traditional wall materials is RMB0.35 Yuan/standard brick and price of new wall materials with fire-resistant and thermal-insulation features is RMB1 Yuan/standard brick, wall material market value is around RMB632.2 billion in 2012.

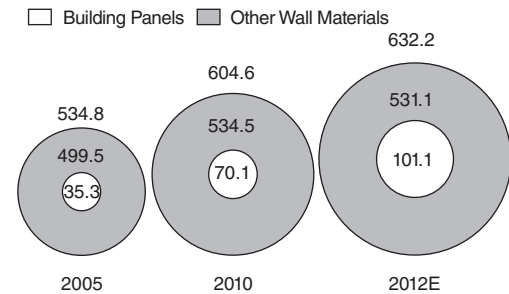
Based on "Twelfth Five-Year Plan for New Building Material Industry", the application proportion of building panels rose quickly during the "Eleventh Five Year" period. With the annual production of more than 70 billion standard bricks in 2010, building panels account for 8.2% in terms of production volume in all wall materials, almost doubling from the 4.2% in 2005. Meanwhile, the "Twelfth Five-Year Plan" put forward that the proportion of building panels in all wall materials will reach 20% by 2015. Based on this, it is estimated that the production of building panels in 2012 is around 101.1 billion standard bricks, with the CAGR of 20.1%, far exceeding the growth rate of overall wall materials. With the price of RMB1 Yuan/standard brick for new wall materials, the building panel market reached RMB101.1 billion in 2012 by estimation.

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**Market Size of Wall Material
(Unit: Billion Standard Bricks)**



**Market Value of Wall Material
(Unit: RMB in Billion)**

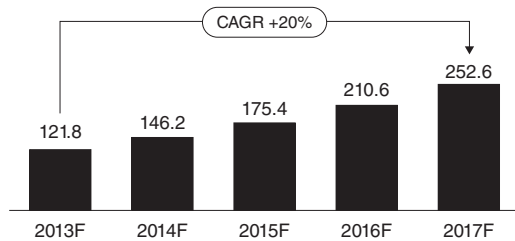


Sources: *The 12th Five Year Plan for New Building Material Industry; Industrial expert interviews, Roland Berger analysis*

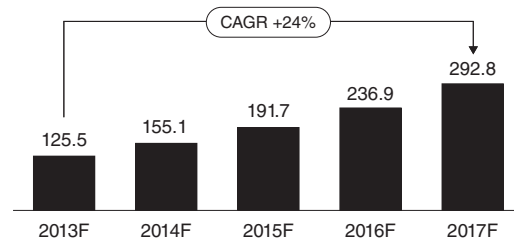
Market for Building Panels

In 2012, the market for building panels reached approximately 101.1 billion standard bricks in terms of sales volume, or RMB101.1 billion in terms of sales value assuming RMB1 yuan per one standard brick, representing approximately 11.7% of the total wall building market in terms of sales volume, or 16.0% in terms of sales value compared to 4.2% and 8.2% in 2005 and 2010 by volume respectively. The market for wall building materials is expected to grow modestly from 2013 to 2017, while the market for building panels is expected to maintain a rapid growth rate to reach 252.6 billion standard bricks or RMB292.8 billion at the end of 2017, representing approximately 29% of the total wall building materials market. Set forth below illustrates the future growth rate of the market for building panel materials both in terms of sales volume and sales value:

**Market Size of Building Panels
(Unit: Billion standard bricks)**



**Market Value of Building Panels
(Unit: RMB in billion)**



Sources: *The 12th Five Year Plan for New Building Material Industry; Industrial expert interviews, Roland Berger analysis*

INDUSTRY OVERVIEW

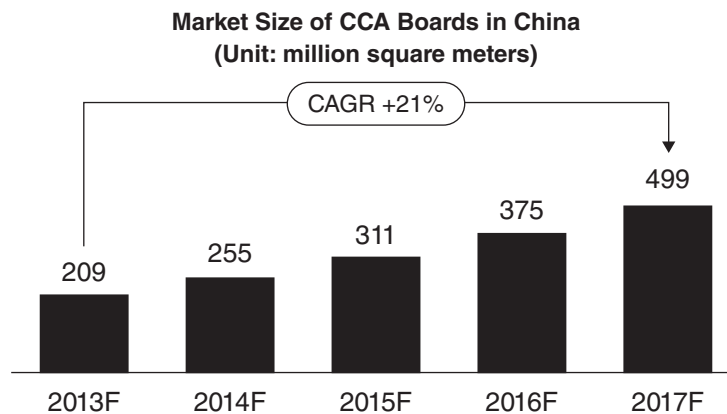
Future Product Trends

CCA boards and wood wool cement boards are two major types of new building panel materials with rapidly increasing acceptance in recent years. Cement producers do not compete with producers of CCA boards and wood wool cement boards directly and sit upstream of the value chain, as cement is one of major raw materials for both CCA boards and wood wool cement boards. New building panel materials typically have higher prices than traditional wall panel materials. However, due to the various desirable features and the potential saving in labor costs, new building panel materials offer a strong value proposition and competitive advantage.

CCA Boards

CCA boards are a kind of non-asbestos fiber cement boards. Asbestos are harmful for human's health, the production and import of which have been gradually prohibited by certain countries and international organizations. With features such as fire-resistance, heat-insulation, sound-insulation, water-proof, moisture-proof, easily constructed, easily decorated, environmental friendly, lightweight, high strength, anti-corrosion, anti-pests and its relative low costs as compared with wood wool cement boards, the market application for CCA boards is quite broad. Specifically, the CCA boards have been widely applied in many fields such as interior wall panels, ceilings, exterior walls, floor plates, exterior wall thermal insulation and high-speed rail noise barriers.

In 2012, the production volume of CCA boards in China amounted approximately 170 million square meters, representing a CAGR of approximately 20% from 2007 to 2012, and the market size was approximately RMB3.4 billion. Approximately 20% of the CCA boards produced in China were sold to overseas market. Currently, the average gross margin for CCA boards in China is approximately 30% to 40%. It is estimated that the market for the CCA boards will grow at a CAGR of approximately 21% from 2013 to 2017 in terms of volume. In particular, in view of the trend of restricting or prohibiting the use of asbestos fiber cement boards, CCA boards are expected to have a strong growth potential. Set forth below illustrates the expected growth in the market for CCA boards in China:



Currently, major domestic producers of CCA boards include Guangzhou Eternit, Zhejiang Header Board, Jiangxi Kengtec, Guangdong Golden Happiness and Jiangsu Aifuxi. These five producers were the largest producers in China in 2012 and accounted for approximately 40% of the market in terms of production volume.

Competing products that have similar features to CCA boards are glass fiber cement boards and gypsum plasterboards. As compared with glass fiber cement boards, CCA boards are priced more competitively. On the other hand, while gypsum plaster boards carry a lower selling price, CCA boards have higher durability and better waterproof feature.

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Wood wool cement boards

Wood wool cement boards are a kind of light-weight building panel. It has been 70 years since the wood wool cement boards's wide application began in developed countries in Europe. With properties such as low-carbon and energy-saving, environmentally-friendly, fire-retardant, sound-insulation, sound-absorption, moisture-proof, antiseptic, humidity-conditioning and adaptability for design and processing, wood wool cement boards are widely applied in various fields of building structures, as decorative materials, insulation materials, and acoustic insulations and interior wall base. Currently in Europe and the United States, wood wool cement boards are primarily used as an exterior wall component and for decorative walls for both external and interior. As of the end of 2012, there were approximately 160 wood wool cement board production lines with an aggregate production capacity of approximately 24.0 million cubic meters in the world.

Currently, automated production technology for wood wool cement boards has been monopolized by the Dutch Eltomation.

Wood wool cement boards were introduced to China only recently and have gained certain market recognition as a decorative wall building material due to its aesthetic value. The majority of wood wool cement boards in China are imported from Thailand and are sold at relative high prices. Currently, the average gross margin for wood wool cement boards is approximately 30% to 40%. The future trend of this market segment is closely related to the implementation of pilot projects of national housing industrialization, the product's market recognition driven by major large enterprises and government support.

Domestic production of wood wool cement boards began in 2010. In 2012, the Ministry of Housing and Rural-Urban Development promulgated the national standard for wood wool cement boards. By the end of 2012, Pan Asia Environmental Protection Group Limited was the only domestic producer of wood wool cement boards, which has six production lines with total capacity of approximately 960,000 cubic meters.

The major competing building panel material for wood wool cement boards is pre-casting cement board. As compared with pre-casting cement boards, the higher price of the wood wool cement boards are justified by features such as highly fire-retardant and superior sound and thermal insulation.

REGULATORY OVERVIEW

Laws and regulations of the PRC applicable to the operations and business activities of the Group within the PRC are summarized as follows:

INDUSTRIAL POLICY FOR FOREIGN INVESTMENT

Foreign investments on industries in the PRC shall comply with the guidelines set out in the Catalogue for the Guidance of Foreign Investment Industries implemented from time to time, which provides the specific regulations guiding market access for foreign investments and the approved scope of industries according to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign investment. Any industry not listed in the catalog shall be a permitted industry. According to the Catalogue for the Guidance of Foreign Investment Industries jointly issued by the National Development and Reform Commission and the Ministry of Commerce on December 24, 2011, encouraged foreign-invested industries include industries of energy saving, environmental protection, recycling of waste, development and manufacturing of construction materials with light weight, high strength, high performance and multi-functions, harmless disposal of solid wastes through new dry-process cement kiln, manufacturing of the complete set or key equipment of power generation by new energy (including waste-to-energy equipment) and the construction and operation of public port terminals.

CEMENT PRODUCTION

According to the Administrative Regulation of the People's Republic of China on Production Licenses 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 Regulation") effective from 1 September 2005 and its Implementing Measures, 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 licenses for industrial products within their own jurisdictions and the imposition of penalties on acts that violate the production license pursuant to the relevant stipulations.

According to the Production License Regulation, 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. 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 but for which the production licenses were not obtained. According to the prevailing "Categories of Industrial Products", cement is one of the industrial products for which a production license is required to be obtained.

According to the Administrative Measures on Bulk Cement (散裝水泥管理辦法) effective from March 29, 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.

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PORT OPERATIONS

According to the Port Law of the People's Republic of China (中華人民共和國港口法) effective from January 1, 2004 and the Regulations on the Administration of Port Operation (港口經營管理規定) effective from March 1, 2010, port operations include the operation of berth and other port facilities, transportation of and services to port passengers, stevedoring, barging and warehouse operations in the port area and tugboat operation in port. Operators engaging in port operation shall obtain the port operation permit from the port administrative authority. Port operators shall take effective measures to prevent and control the pollution and damages caused to the environment according to the relevant environmental protection laws and regulations. They shall also strengthen safe production management, establish comprehensive systems and policies including the accountability system for safe production, improve the environment for safe production and implement effective measures to secure and ensure safe production.

MANUFACTURING OF SPECIAL EQUIPMENT

According to the Regulations on Safety Supervision of Special Equipment (特種設備安全監察條例) effective from May 1, 2009, manufacturing of boilers and compressed containers which relate to safety of human life or have higher risks shall obtain the permit from the competent department for safety supervision and administration of special equipment under the State Council upon fulfilling certain conditions. According to the Supervision and Administration Measures for the Manufacturing of Boilers and Compressed Containers (鍋爐壓力容器製造監督管理辦法) issued by the General Administration of Quality Supervision, Inspection and Quarantine on July 12, 2002, boilers and compressed containers may be sold and used in the PRC only after its manufacturing enterprises has obtained the Manufacture License of Boilers and Compressed Containers of the People's Republic of China ("Manufacture License"). Boilers and compressed containers are categorized into four permitted categories, namely grades A, B, C and D. Manufacture License for boilers and compressed containers of grade D shall be issued by the provincial authorities for quality and technology supervision, while the Manufacture Licenses for other grades shall be issued by the AQSIQ.

IMPORT AND EXPORT OF GOODS

According to the Customs Law of the People's Republic of China (中華人民共和國海關法) effective from July 1, 1987 and subsequently amended on July 8, 2000, the consignee or consignor of imported or exported goods shall complete the declaration formalities by registering at the customs according to law. Pursuant to the Provisions of the Customs of the People's Republic of China for the Administration of Registration of Declaration Entities (中華人民共和國海關對報關單位註冊登記管理規定) promulgated by the General Administration of Customs on March 31, 2005, the consignee or consignor of imported or exported goods may complete its own declaration at any ports or any location with centralized customs operation in the PRC after completing the registration at the customs.

According to the Law of the People's Republic of China on Imported and Exported Commodity Inspection (中華人民共和國進出口商品檢驗法) effective from August 1, 1989 and subsequently amended on April 28, 2002 and its implementation regulations, the consignee or consignor of imported or exported goods may complete the clearance declaration with the customs themselves or entrust commodity clearance agency firms to complete the declaration procedures. The government has adopted a filing and registration administration system for enterprises completing the declaration themselves. The consignee or consignor of imported or exported goods shall file with the relevant entry-exit inspection and quarantine authority according to law when handling the customer clearance procedures.

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CONTRACTING FOREIGN PROJECTS

According to the Foreign Trade Law of the People's Republic of China (中華人民共和國對外貿易法) effective from July 1, 1994 and subsequently amended on April 6, 2004 and the Administrative Regulation on Contracting Foreign Projects (對外承包工程管理條例) effective from September 1, 2008, operators engaging in contracting foreign projects shall obtain the relevant qualifications. According to the Administrative Measures on the Qualification for Contracting Foreign Projects (對外承包工程資格管理辦法) jointly issued by the Ministry of Commerce and the Ministry of Housing and Urban-Rural Development on September 28, 2009, enterprises undertaking foreign contracted projects shall fulfill the qualifications of contracting projects by obtaining the Qualification Certificate for Contracting Foreign Projects of the People's Republic of China (中華人民共和國對外承包工程資格證書) before undertaking any foreign contracted projects within the permitted scope.

INTELLECTUAL PROPERTY RIGHTS

According to the Patent Law of the People's Republic of China (中華人民共和國專利法) effective from April 1, 1985 and subsequently amended on December 27, 2008, enterprises may apply for patent rights of invention, utility models or designs based on the nature of the inventions. The validity term of invention shall be 20 years, and the validity terms of utility models and designs shall be 10 years, all commencing from the date of application. Unless otherwise stipulated by the law, any individuals or entities who use the patents without the authorization 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.

ENVIRONMENTAL PROTECTION

According to Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) effective from December 26, 1989, entities that may cause pollution and other toxic materials to the environment shall plans for the environmental protection measures and establish an accountability system for environmental protection. Such entities shall take effective measures to prevent and control the pollution and harms caused to the environment, including exhaust gas, sewage, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated from the production, construction and other activities.

Facilities for the prevention and control of pollution at a construction project shall be designed, built and commissioned together with the principal part of the project. The construction or use of such facilities may only start upon passing the inspection by the environmental protection administrative authority approving the environmental impact reports.

According to the Regulations Governing Environmental Protection in Construction Projects (建設項目環境保護管理條例) effective from November 29, 1998 and the Environmental Impact Assessment Law of the People's Republic of China (中華人民共和國環境影響評價法) effective from September 1, 2003, an environmental impact assessment system for construction projects is implemented in PRC. Categorized management is adopted according to the degree of impact on environment from the construction projects upon assessment. Environmental impact reports shall be prepared for construction projects which may cause material impact on the environment in order to conduct comprehensive assessment of the environmental impacts. Environmental impact report forms shall be prepared for projects which may cause moderate impact in order to analyze or conduct specific assessment on the environmental impacts. If Environment Impact may be so small to conduct an environment impact assessment, a registration form of environmental impacts shall be conducted. Such environmental impact assessment documents of construction projects shall be submitted to the competent environmental protection

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administrative authority for approval according to the national requirements. Project approval authority shall not approve the construction and the construction entity may not commence the construction of the projects if the entity do not apply for or fail to obtain the approval according to the requirements.

According to the Laws of the People's Republic of China on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) effective from June 1, 2008, environmental impact assessment shall be conducted for any new construction, reconstruction and expansion of projects or other installations on water which directly or indirectly discharge pollutants into the water according to law. Enterprises and institutions that discharge pollutants directly or indirectly into the water shall obtain the Pollutants Discharge Permit. Enterprises and institutions that discharge pollutants directly into the water shall pay pollutant discharge fees based on the types and quantity of the sewage discharged according to the standards for pollutant discharge fees.

According to the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) effective from September 1, 2000, new construction, expansion and reconstruction projects which discharge pollutants to the air shall be subject to the relevant environmental protection regulations of the PRC. Entities that discharge pollutants to the air shall report to the local environmental protection administrative authority existing facilities for discharging and treating pollutants, and the categories, quantities and concentrations of pollutants discharged under normal operation conditions, and also submit to the same authority the technical information concerning the prevention and control of air pollution. The PRC government has adopted a policy to collect pollutant discharge fees based on the categories and quantity of pollutants discharged to the air and the fee standard shall be reasonably determined based on the requirement to improve prevention and control of air pollution as well as the economic and technical conditions of the PRC.

According to the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) effective from April 1, 2005, entities that generate industrial solid waste shall establish and improve the accountability system for the prevention and control of environmental pollution and adopt measures to prevent and control the environmental pollution caused by industrial solid waste. The PRC government has implemented a report and register system for industrial solid waste. Entities which produce industrial solid waste shall report to the local environmental protection administrative authority of county level or above the relevant information including the types, output volume, destination, storage and disposal of the industrial solid waste.

According to the Law of the People's Republic of China on Prevention and Control of Noise Pollution (中華人民共和國環境噪聲污染防治法) effective from March 1, 1997, industrial enterprises which cause noise pollution due to the frequent use of equipment during the industrial production process shall report to the local environmental protection administrative authority the types and quantity of the equipment they possess that may cause noise pollution, the noise level produced under normal operation condition and the facilities they possess for the prevention and control of noise pollution, and submit the technical information concerning the prevention and control of noise pollution according to the requirements of the environmental protection administration under the State Council. Entities which cause noise pollution shall take rectification measures and pay excess pollutant discharge fee according to the regulations of the PRC.

According to the Marine Environment Protection Law of the People's Republic of China (中華人民共和國海洋環境保護法) effective from August 23, 1982 and subsequently amended on December 25, 1999 by the Standing Committee of the National People's Congress, ports, berths, freight stations and shipyards shall be equipped with sufficient collection facilities for the disposal of pollutants and waste from the vessels and such facilities shall always be in good

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condition according to the applicable regulations. Ports, berths, freight stations and vessels which handle the loading and unloading of oil products shall formulate emergency plan for oil leakage pollution and be installed with the emergency equipment and facility for the handling of oil leakage pollution.

LABOUR AND PRODUCTION SAFETY

According to the Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法) effective from January 1, 2008 and subsequently amended on December 28, 2012, employers and employees shall enter into employment contracts to establish their employment relationship. When hiring employees, employers are required to inform the employees about their job duties, working conditions, working places, occupational hazards, production safety conditions, remuneration and other matters which the employees may be concerned with. Employers and employees shall fulfill their respective obligations in accordance with the requirements of employment contract, and employers shall pay remuneration to employees on time and in full in accordance with the commitments and provisions set forth in the contract and strictly adhere to the working quota standards, and are prohibited from compelling employees to work overtime directly or indirectly. At the time of terminating an employment contract, the employers shall provide evidence for such termination and arrange for the employee to transfer his/her file and social insurance relations within 15 days.

According to the Employment Promotion Law of the People's Republic of China (中華人民共和國就業促進法) effective from January 1, 2008, employers shall provide equal employment opportunities and fair employment conditions when recruiting employees. No employment discrimination will be allowed. Employers shall protect the equal employment rights of both females and males, and must not refuse to employ any workers due to their gender or raise the employment standard for females. Additionally, employers are not allowed to include any restrictions regarding the marital status or pregnancy of female employees in the employment contracts. Employers shall also provide suitable care to workers from minority ethnic groups in accordance with the laws, and not discriminate against the disabled. Furthermore, they are not permitted to reject employment on the basis of the employees having a contagious disease or discriminate against workers from rural areas.

According to Regulation on Occupational Injury Insurance (工傷保險條例) effective from January 1, 2004 and subsequently amended on December 20, 2010, employers shall pay occupational injury insurance fees for their employees. Employees are not required to pay occupational injury insurance fees.

According to the Interim Measures Concerning the Maternity Insurance of Enterprises Employees (企業職工生育保險試行辦法) effective from January 1, 1995, employers shall pay maternity insurance fees for their employees. Employees are not required to pay maternity insurance fees.

According to the Interim Regulations Concerning the Levy of Social Insurance Fees (社會保險費徵繳暫行條例) effective from January 22, 1999 and the Interim Measures Concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法) effective from March 19, 1999, employers in the PRC shall register social insurance with the local social insurance authorities, and make contributions to the basic pension insurance fund, basic medical insurance fund and unemployment insurance fund for their employees.

According to the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法) effective from July 1, 2011, the state establishes the basic pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance, maternity insurance and other social insurance systems. Employees shall take part in the basic pension insurance,

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basic medical insurance and unemployment insurance fees and the insurance fees shall be jointly paid by the employers and employees. Employees shall also take part in the occupational injury insurance and maternity insurance fee and the insurance fee shall be paid by the employers according to the national regulations, and the employees shall not pay such insurance fees.

According to the Regulation Concerning the Administration of Housing Fund (住房公積金管理條例) effective from April 3, 1999 and subsequently amended on March 24, 2002, employers in the PRC shall register with the competent housing fund management centre for the contributions to the housing fund. They shall also open housing fund accounts with the authorized banks for their employees and contribute to the housing fund at a rate of not less than 5% of the employee's average monthly salary in the previous year.

According to the Prevention and Control of Occupational Diseases Law of the People's Republic of China (中華人民共和國職業病防治法) amended on December 31, 2011, employers shall adopt effective protection measures against occupational diseases and provide protective articles against occupational diseases for the personal use of its employees. For employees engaging in occupational-disease-inductive operations, employers shall arrange for occupational health examinations before, during and at the termination of employment and inform the employees the examination results in writing according to the requirements of the administration of work safety and the administration of health under the State Council. Employers shall be liable for the costs of occupational health examinations.

According to the Production Safety Law of the People's Republic of China (中華人民共和國安全生產法) effective from November 1, 2002, production entities shall fulfill the production safety requirements under the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Entities which fail to meet the production safety requirement may not engage in any production activities. Enterprises shall organize education and training on production safety for its staff. They shall also provide its staff with labour protective articles which meet the national or industrial standards, and supervise and guide their staff to wear and use such articles according to the prescribed use.

TAXATION

According to the Enterprise Income Tax Law of the People's Republic of China effective from January 1, 2008, resident enterprises are subject to enterprise income tax for all incomes generated within and outside the PRC, while non-resident enterprises which have established institutions or places of business in the PRC are subject to enterprise income tax for all incomes generated from such institutions or places of business in the PRC and all incomes generated outside the PRC which are actually related to the institutions or places of business established in the PRC. The enterprise income tax rate is 25%.

Non-resident enterprises which have not established any institutions or places of business in the PRC, or which have established institutions or places of business in the PRC but there are no actual relationship between the incomes generated in the PRC and such institutions or places of business are only subject to enterprise income tax for all incomes generated in the PRC at an applicable rate of 20%. However, according to the Implementation Regulations of the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例), the aforesaid income of non-resident enterprise shall be subject to enterprise income tax at a reduced tax rate of 10%.

REGULATORY OVERVIEW

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income effective from January 1, 2007, for a Hong Kong enterprise holding not less than 25% of the shares of a PRC enterprise, the dividend paid to the Hong Kong enterprise by the PRC enterprise shall be subject to a withholding tax of 5%. According to the Notice on the Issues Concerning the Application of the Dividends Clauses of Tax Treaties (關於執行稅收協定股息條款有關問題的通知) issued by the State Administration of Taxation on February 20, 2009, the direct shareholding proportion of such corporate recipients of dividends distributed by the PRC enterprises must satisfy the minimum requirement under the tax treaty at all times during the 12 consecutive months preceding the receipt of the dividends.

According to the Provisional Regulations on Value-added Tax of the People's Republic of China (中華人民共和國增值稅暫行條例) effective from January 1, 2009 and its implementation rules, entities and individuals engaging in the sale of goods, provision of processing, repair and replacement services and import of goods in the People's Republic of China shall be subject to value-added tax. Except for the sale or import of certain goods defined under the Special Regulations, which shall be subject to an applicable tax rate of 13%, tax payers engaging in the sale or import of goods and the provision of processing, repair and replacement services shall be subject to a value-added tax of 17%.

According to the new Provisional Regulations on Business Taxes of the People's Republic of China (中華人民共和國營業稅暫行條例) effective from January 1, 2009, entities or individuals engaging in the provision of services, transfer of intangible assets or sale of real estate in the PRC shall be subject to the business tax under such regulation. The taxable items and rates of business tax shall be based on the List of Items and Rates of Business Tax (營業稅稅目稅率表), and the tax rates shall range from 3% to 20%.

According to the Notice Concerning the Provisional Taxation Policy on Changing Business Tax to Value-added Tax Imposed on Transportation Industry and Certain Modern Service Industry in the PRC (關於在全國開展交通運輸業和部分現代服務業營業稅改徵增值稅試點稅收政策的通知) promulgated by the MOF and State Administration of Taxation on May 24, 2013, business tax imposed on the transportation industry and certain modern service industry in the PRC will be changed to value added tax provisionally since August 1, 2013. The value-added tax rate will have four bandings, and the applicable tax rate for the provision of modern service industry including providing services in ports and berths shall be 6%.

According to the Circular of the State Administration of Taxation on Issues Concerning the Implementation of Preferential Income Tax Applicable to High-tech Enterprises (國家稅務總局關於實施高新技術企業所得稅優惠有關問題的通知) promulgated by the State Administration of Taxation on April 22, 2009 and with retrospective effect from January 1, 2008, upon the accreditation or re-examination of the qualification of high-tech enterprises, such enterprises may apply for the entitlement of preferential enterprise income tax treatment since the year beginning from the validity term approved by such accreditation or re-examination. Enterprises may apply for tax reduction or exemption from competent tax authorities upon obtaining the high-tech enterprise certificates issued by the administration institutions recognized by high-tech enterprises in provinces, autonomous regions, municipalities or cities specially designated under the State Plan of the PRC. Upon completion of the formalities, high-tech enterprises shall be entitled to the preferential tax rate of 15% or the transitional preferential tax rate.

REGULATORY OVERVIEW

FOREIGN EXCHANGE

According to the Regulations of the People's Republic of China for the Control of Foreign Exchange (中華人民共和國外匯管理條例) issued by the State Council on January 29, 1996 and secondly amend on August 5, 2008, international payment and transfer of foreign exchange under current accounts shall not be restricted. The foreign exchange income of a domestic institution or individual may be transferred back into the PRC or deposited overseas. Payment and receipt of foreign exchange under current accounts shall be based on true and legal transaction. Foreign exchange and foreign exchange settlement funds under capital account shall be used for the purposes approved by the competent authority and foreign exchange administrative department. Foreign institution or individual conducting direct investment in the PRC shall register with the foreign exchange administrative department after obtaining the approval from the competent authority. Domestic institution or individual conducting direct investment overseas or issuing or trading marketable securities or derivative products overseas shall complete the registration according to the requirements of the foreign exchange administration under the State Council.

According to the Law on wholly foreign-owned Enterprises of the People's Republic of China (中華人民共和國外資企業法) amended on October 31, 2000 and its implementation rules, wholly foreign-owned enterprises shall open bank accounts with the bank of China or a bank designated by the State Administration of Foreign Exchange. Foreign exchange income of wholly foreign-owned enterprise shall be deposited to the foreign exchange account at the bank it has opened account, and foreign exchange expense shall be paid by the foreign exchange account. Foreign investors may remit abroad their legitimate profit, other lawful incomes and liquidated funds received from wholly foreign-owned enterprises.

According to the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control on Fundraising by Domestic Residents through Offshore Special Purpose Vehicles and Round-trip Investments (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) (the "No. 75 Notice") promulgated by the State Administration of Foreign Exchange on October 21, 2005, domestic resident natural persons are required to register with the competent local branch of State Administration of Foreign Exchange before they establish or control any offshore special purpose vehicles for the purpose of equity financing overseas. If the domestic resident natural person makes contribution to assets or equity of the offshore special purpose vehicles, or transfers the assets or equity of domestic enterprises to the offshore special purpose vehicles for the purpose of equity financing, the domestic resident natural person is required to complete the foreign exchange registration with the local branch of State Administration of Foreign Exchange for the change in the share of net asset of the offshore special purpose vehicles it holds and the details of change. If the offshore special purpose vehicles undergo material equity change in the PRC, such as change in share capital or equity transfer, the domestic resident shall complete the change of foreign exchange registration or file with the local branch of State Administration of Foreign Exchange within 30 days from the occurrence of such event.

HISTORY, DEVELOPMENT AND REORGANIZATION

GENERAL

During the Track Record Period, our businesses were mainly carried out by three of our subsidiaries incorporated in the PRC, namely, CK Engineering, CK Equipment and HC Port.

Before the commencement of our Group's Reorganization, equity interests in the above subsidiaries were held by CV Investment and certain business partners. As part of the Reorganization, CV Investment transferred to Conch Venture Wuhu (an indirect wholly owned subsidiary of our Company) its ownership in 51% equity interest in CK Engineering, 51% equity interest in CK Equipment and 75% equity interest in HC Port, as well as 49% equity interest in Conch Holdings (which forms part of our Investment Assets). Conch Venture Green was incorporated in June 2013 and Bozhou CV Green was incorporated in August 2013. Both of them will be principally engaged in the business of production, R&D and sale of green building materials. Conch Venture Pingliang was incorporated in September 2013 and will be principally engaged in waste processing and recycling.

CV Investment — a holder of equity interests in CK Engineering, CK Equipment, HC Port and Conch Holdings before the Reorganisation

CV Investment was established in November 2002. At the time of its establishment, its registered capital amounted to approximately RMB210.9 million, and was attributable to (i) eight individual persons (for their own benefits), and (ii) the four Staff Associations which held registered capital in CV Investment on behalf and for the benefit of their respective Staff Members. In April 2003, the registered capital in CV Investment was increased to approximately RMB380.5 million.

In November 2002 (before CV Investment's establishment), the registered capital in Conch Holdings was entirely attributable to Anhui Provincial Government. Through agreement made with China NBMC (see details in the paragraph headed "Further information about our Group — Further information about our subsidiaries and investees in the PRC — Further information about Anhui Conch Group — Conch Holdings" of Appendix V to this prospectus) and in connection with a reform plan approved by the Anhui Provincial Government, CV Investment became the registered holder of 49% equity interest in Conch Holdings in May 2003, while Anhui Investment held the remaining 51% equity interest in Conch Holdings. Conch Holdings was then (and is still) the controlling shareholder of Conch Cement, one of our Investment Assets.

HISTORY, DEVELOPMENT AND REORGANIZATION

In 2009, the registered capital in CV Investment was increased to RMB1,500 million. Following such changes and as at January 1, 2010, the registered capital in CV Investment was then registered in the name of eight individual persons (for their own benefits) and the Staff Associations (for the benefit and on behalf of their respective SA Member Beneficiaries) in the following number:

Name of shareholder	Amount of registered capital in CV Investment held	Shareholding in CV Investment
	(RMB)	(%)
SA Conch Group (Note 1)	1,237,500,409	82.50%
SA Ningguo (Note 1)	100,059,710	6.67%
SA Baimashan (Note 1)	82,036,578	5.47%
SA Profiles (Note 1)	30,676,336	2.05%
Guo Wensan (Note 2)	12,199,935	0.81%
Guo Jingbin (Note 2)	5,693,828	0.38%
Ji Qinying (Note 2)	5,010,749	0.33%
Li Shunan (Note 2)	5,851,197	0.39%
Wang Jun (Note 2)	4,632,429	0.31%
Zhu Dejin (Note 2)	6,089,815	0.41%
Zhu Zhongping (Note 2)	3,787,945	0.25%
Yu Biao (Notes 2 and 3)	6,461,069	0.43%
Total:	1,500,000,000	100.00%

Notes:

- Each Staff Association has been holding equity interests in CV Investment for the benefit and on behalf of its SA Member Beneficiaries. The SA Manager of each Staff Association has been empowered to exercise voting rights attaching to the shares in CV Investment in such manner as the SA Manager considers appropriate (in his absolute discretion) in connection with the matters concerning CV Investment. SA Member Beneficiaries of each Staff Association, through their respective Staff Associations, contributed severally to the registered capital of CV Investment and were entitled to the economic benefits attached to the shares in CV Investment in proportion to the amount of contribution he/she made.
- Apart from holding direct equity interests in CV Investment in their own name, these individual SA Member Beneficiaries also since December 31, 2009 have indirectly held benefits to CV Investment through (and in the name of) SA Conch Group, brief details of which are summarized below:

Name of shareholder	Amount of registered capital in CV Investment indirectly entitled	Approximate shareholding in CV Investment
	(RMB)	(%)
Guo Wensan	53,800,065	3.59
Guo Jingbin	56,986,172	3.80
Ji Qinying	56,069,251	3.74
Li Shunan	40,548,803	2.70
Wang Jun	39,847,571	2.66
Zhu Dejin	35,190,185	2.35
Zhu Zhongping	28,232,964	1.88
Yu Biao (Note 3)	33,538,931	2.24

Except for Mr. Yu Biao (as mentioned in note 3 below), the indirectly held benefits of the above individual SA Member Beneficiaries to CV Investment as at December 31, 2009 and those as at July 19, 2013 have not been changed.

- In early 2012, all the registered shares and indirectly held benefits held by Mr. Yu Biao in or to CV Investment were transferred to SA Conch Group and became treasury shares in the register maintained by SA Conch Group.

HISTORY, DEVELOPMENT AND REORGANIZATION

Establishment of CK Engineering, CK Equipment and HC Port

In December 2006, CK Engineering was established by CV Investment and Kawasaki Partner, and started to engage in engineering projects of residual heat power generation. Since its establishment and up to the implementation of the Reorganization, CK Engineering has been one of CV Investment's subsidiaries.

In September 2007, CV Investment and Kawasaki Partner entered into an equity-transfer agreement, pursuant to which Kawasaki Partner agreed to acquire from CV Investment 50% equity interest in Conch NEC Equipment (the predecessor of CK Equipment). CK Equipment also acquired certain fixed assets from CV Investment in connection with such equity acquisition. Immediately following completion of the above equity and asset acquisitions and up to the implementation of the Reorganization, CK Equipment has been one of CV Investment's subsidiaries.

In October 2006, HC Port was established by CV Investment and Prosperity Trading with equity-proportion of 75% and 25% respectively. HC Port was formed to engage in the planning, construction and operation of Haichang Port, which became operational in January 2011. Since its incorporation and up to the implementation of the Reorganization, HC Port has been a subsidiary of CV Investment.

Our Group, comprising our Company and its subsidiaries

As at the Latest Practicable Date, our Group comprised our Company, one BVI subsidiary, one Hong Kong subsidiary and seven PRC subsidiaries. Among these entities, CK Engineering, CK Equipment and HC Port are our principal operating subsidiaries in the PRC during the Track Record Period. The following table contains some information of our Company and its subsidiaries as of the Latest Practicable Date:

<u>Name of Group member</u>	<u>Date of incorporation/ Date of commencement of business (if different)</u>	<u>Place of incorporation</u>	<u>Principal activities</u>
Our Company	June 24, 2013/ October 3, 2013	Cayman Islands	Investment holding
Conch Venture BVI	May 31, 2013 (Note 1)	BVI	Investment holding
Conch Venture HK	June 13, 2013	Hong Kong	Investment holding
Conch Venture Green	June 24, 2013 (Note 1)	PRC	Manufacturing and investment holding
Conch Venture Wuhu	May 31, 2013	PRC	Investment holding
CK Engineering	December 13, 2006/ February 23, 2007	PRC	Design, sales, installation of energy preservation and environmental protection equipment and after sales service
CK Equipment	October 26, 2007/ April 20, 2007 (Note 2)	PRC	Design, sales, installation of energy preservation and environmental protection equipment and after sales service

HISTORY, DEVELOPMENT AND REORGANIZATION

<u>Name of Group member</u>	<u>Date of incorporation/ Date of commencement of business (if different)</u>	<u>Place of incorporation</u>	<u>Principal activities</u>
HC Port	October 30, 2006/ January 26, 2011	PRC	Cargo handling
Bozhou CV Green	August 27, 2013	PRC	Green building material design, production, sales, manufacture, research and design and applications (under planning and construction stage)
Conch Venture Pingliang	September 23, 2013 (Note 1)	PRC	Waste processing and recycling (production line under construction)

Notes:

(1) No operation as at the Latest Practicable Date.

(2) Some businesses were brought over from Conch NEC Equipment, the predecessor of CK Equipment.

See “History, Development and Reorganization — Corporate Structure” of this prospectus for the chart showing the shareholding and corporate structure of our Group immediately after the Reorganization and as of the Latest Practicable Date, and “Further information about our Group — Further information about our subsidiaries and investees in the PRC — CK Engineering, CK Equipment and HC Port” of Appendix V to this prospectus for details of the corporate history of our subsidiaries.

MILESTONES

Set forth below are the key milestones of our Group (and our Investment Assets):

<u>Time</u>	<u>Key milestones</u>
May 2003	49% equity interest in Conch Holdings (representing our Investment Assets) became vested in CV Investment (an entity whose shareholders (at the time of our Reorganization taking place) are substantially similar to the ultimate beneficial owners of our Company), which is our Group’s predecessor in title to the Investment Assets
October 2006	HC Port was established for developing and operating Haichang Port
December 2006	CK Engineering was established by CV Investment and Kawasaki Partner to carry out engineering projects relating to residual heat power generation projects for cement and other heavy industrial plants, and other environment protection solutions
	Conch NEC Equipment (being the predecessor of CK Equipment) was formed by CV Investment as its wholly owned subsidiary

HISTORY, DEVELOPMENT AND REORGANIZATION

<u>Time</u>	<u>Key milestones</u>
October 2007.	CK Equipment was established with CV Investment and Kawasaki Partner as its shareholders, and started to engage in the manufacturing of residual heat power generation equipment
October 2008.	We commenced the construction of our first waste incineration project at Tongling, Anhui Province
April 2010	We completed the construction of our first waste incineration project
April 2012	We completed the construction of all the facilities at Yangzhou Haichang Port

ESTABLISHMENT AND MAJOR CHANGES CONCERNING MEMBERS OF OUR GROUP

Establishment and major changes concerning our Group members which are established in the PRC

Conch Venture Green

Conch Venture Green was established on June 24, 2013 as a wholly foreign owned enterprise. Its beneficial owner has always been Conch Venture HK. Since its establishment and up to the Latest Practicable Date, the registered capital in Conch Venture Green amounted to HK\$100 million. Its registered capital was fully paid up on August 7, 2013.

Bozhou CV Green

Bozhou CV Green was established on August 27, 2013 by Conch Venture Green. Since the establishment of Bozhou CV Green and as at the Latest Practicable Date, its registered capital amounted to RMB50 million, which was fully paid up by Conch Venture Green on August 26, 2013.

Conch Venture Wuhu

Since the establishment of Conch Venture Wuhu on May 31, 2013 and up to the Latest Practicable Date, the registered capital in Conch Venture Wuhu amounted to RMB100 million.

Conch Venture Wuhu was initially owned by CV Investment. Its registered capital was fully paid up by CV Investment on May 30, 2013.

As part of our Reorganization, Conch Venture Wuhu became a direct wholly owned subsidiary of Conch Venture Green on July 11, 2013. Following such change and up to the Latest Practicable Date, the beneficial owner of Conch Venture Wuhu was Conch Venture Green.

Conch Venture Wuhu is the holder of 51% equity interest in CK Engineering, 51% equity interest in CK Equipment and 75% equity interest in HC Port, as well as 49% equity interest in Conch Holdings (which forms part of our Investment Assets).

HISTORY, DEVELOPMENT AND REORGANIZATION

Conch Venture Pingliang

Conch Venture Pingliang was incorporated on September 23, 2013 by Conch Venture Wuhu. Since the establishment of Conch Venture Pingliang and as of the Latest Practicable Date, its registered capital amounted to RMB20 million, which was fully paid up by Conch Venture Wuhu on September 22, 2013.

CK Engineering

CK Engineering was established on December 13, 2006, and is one of our principal operating subsidiaries during the Track Record Period and up to the Latest Practicable Date.

From its establishment and up to December 31, 2012, CK Engineering was owned by CV Investment and Kawasaki Partner in equal share. Notwithstanding equal shareholding, CK Engineering was treated as a non-wholly owned consolidated subsidiary of CV Investment because CV investment had effective control over CK Engineering. Please refer to the section headed “Further information about our Group — Further information about our subsidiaries and investees in the PRC” of Appendix V to this prospectus for details of its board composition and the board voting arrangement.

At the time of its incorporation, CK Engineering’s registered capital amounted to RMB20 million. In October 2009, its registered capital was increased to RMB100 million by capitalization of general reserve fund and enterprise development fund.

With effect from January 1, 2013, CV Investment acquired 1% equity interest in CK Engineering from Kawasaki Partner, as a result of which CV Investment became the owner of 51% equity interest in CK Engineering, while the remaining 49% equity interest was owned by Kawasaki Partner. The transaction was properly and legally completed. Please refer to “Further information about our Group — Further information about our subsidiaries and investees in the PRC — CK Engineering, CK Equipment and HC Port — CK Engineering” of Appendix V to this prospectus for further details of such transfer.

As part of our Reorganization, 51% equity interest in CK Engineering was transferred from CV Investment to Conch Venture Wuhu on July 26, 2013. The transaction was properly and legally completed. Following such change and up to the Latest Practicable Date, the beneficial owner of 51% equity interest in CK Engineering was Conch Venture Wuhu, while the remaining 49% equity interest was held by Kawasaki Partner.

CK Equipment

Conch NEC Equipment was the predecessor of CK Equipment. In September 2007, CV Investment and Kawasaki Partner entered into an equity-transfer agreement, pursuant to which Kawasaki Partner agreed to acquire from CV Investment 50% equity interest in Conch NEC Equipment. CK Equipment also acquired certain fixed assets from CV Investment in connection with such equity acquisition. Immediately following completion of the above equity and asset acquisitions, CK Equipment (as successor of Conch NEC Equipment) was owned by CV Investment and Kawasaki Partner in equal share. CK Equipment was also issued a new business license with the incorporation date of October 26, 2007.

From October 26, 2007 and up to December 31, 2012, CK Equipment was owned by CV Investment and Kawasaki Partner in equal share. Notwithstanding equal shareholding, CK Equipment was treated as a non-wholly owned consolidated subsidiary of CV Investment because CV Investment had effective control over CK Equipment. Please refer to the section

HISTORY, DEVELOPMENT AND REORGANIZATION

headed “Further information about our Group — Further information about our subsidiaries and investees in the PRC” of Appendix V to this prospectus for details of the board composition and the board voting arrangement.

When CK Equipment was issued a new business license in October 2007, CK Equipment's registered capital amounted to RMB60 million. Its registered capital was increased to RMB100 million on June 20, 2013 and remained at RMB100 million up to the Latest Practicable Date.

With effect from January 1, 2013, CV Investment acquired 1% equity interest in CK Equipment from Kawasaki Partner, as a result of which CV Investment became the owner of 51% equity interest in CK Equipment, while the remaining 49% equity interest was owned by Kawasaki Partner. The transaction was properly and legally completed. Please refer to “Further information about our Group — Further information about our subsidiaries and investees in the PRC — CK Engineering, CK Equipment and HC Port — CK Equipment” for further details of such transfer.

As part of our Reorganization, 51% equity interest in CK Equipment was transferred from CV Investment to Conch Venture Wuhu on July 26, 2013. The transaction was properly and legally completed. Following such change and up to the Latest Practicable Date, the beneficial owner of 51% equity interest in CK Equipment was Conch Venture Wuhu, while the remaining 49% equity interest was held by Kawasaki Partner.

HC Port

HC Port was established on October 30, 2006, and one of our principal operating subsidiaries during the Track Record Period and up to the Latest Practicable Date.

At the time of its incorporation, HC Port's registered capital amounted to RMB100 million, and was owned by CV Investment and Prosperity Trading in the proportion of 75% and 25% respectively. Such registered capital was contributed by its business partners (i.e. CV Investment and Prosperity Trading) between November 2006 and April 2007, within the time period prescribed under the constitutive documents of HC Port and the approval documents of the relevant Commerce Authority.

In September 2009, the registered capital of HC Port was agreed to be increased to RMB220.5 million, and the shareholders were CV Investment, Conch IID Shanghai (a company whose 70% equity interest was owned by CV Investment) and Prosperity Trading with contribution to the registered capital in the proportion of RMB75,000,000, RMB90,375,000 and RMB55,125,000 respectively (i.e. about 34%, 41% and 25% respectively). Such capital increase was approved by the Jiangsu Provincial Commerce Authority (江蘇省商務廳) on September 25, 2009. The additional registered capital was paid up by Conch IID Shanghai and Prosperity Trading in November 2009.

By an equity transfer agreement dated June 28, 2010 and made between Conch IID Shanghai (as vendor) and CV Investment (as purchaser), it was agreed that the 41% equity interest in HC Port held by Conch IID Shanghai would be transferred to CV Investment at a consideration of RMB90,375,000 (equivalent to the portion of registered capital paid by Conch IID Shanghai). Such transfer was approved by the Jiangsu Provincial Commerce Authority (江蘇省商務廳) on July 13, 2010, and was registered with the Yangzhou AIC in August 2010. The transfer consideration was fully settled on September 13, 2010 by way of payment in cash. The transaction was properly and legally completed. Following such transfer, HC Port was owned by CV Investment and Prosperity Trading in the proportion of 75% and 25% respectively.

HISTORY, DEVELOPMENT AND REORGANIZATION

As part of our Reorganization, 75% equity interest in HC Port was transferred from CV Investment to Conch Venture Wuhu on July 31, 2013. The transaction was properly and legally completed. Following such change and up to the Latest Practicable Date, the beneficial owner of 75% equity interest in HC Port was Conch Venture Wuhu, while the remaining 25% equity interest was held by Prosperity Trading.

Other information

Please refer to the section headed “Further information about our Group — Further information about our subsidiaries and investees in the PRC — CK Engineering, CK Equipment and HC Port” of Appendix V of this prospectus for other information (including the amount of consideration, basis of determining the consideration and changes in registered capital) in relation to the CK Engineering, CK Equipment and HC Port.

Change in issued share capital and/or owners of Conch Venture BVI and Conch Venture HK

Conch Venture BVI was incorporated on May 31, 2013. Following its incorporation, on June 6, 2013, Mr. Guo Jingbin (as agent of our Company then under incorporation) applied for the allotment of, and subscribed for, 10,000 shares of US\$1 each for cash at par. On June 28, 2013, the Board passed a resolution to ratify the actions taken (prior to the incorporation of our Company) by Mr. Guo Jingbin on behalf of our Company in activating Conch Venture BVI and subscribing (on behalf of our Company) for the said 10,000 shares (representing the entire issued share capital of Conch Venture BVI). On the same date, such 10,000 shares were transferred from Mr. Guo Jingbin to our Company for nil consideration. Our Board also approved reimbursement of all costs and expenses incurred by Mr. Guo Jingbin in the activation of Conch Venture BVI.

Conch Venture BVI was the sole shareholder of Conch Venture HK at the time of its incorporation, and has remained so up to the Latest Practicable Date.

Change in issued capital and/or owners of our Company

Incorporation

The Company was incorporated on June 24, 2013. It was incorporated for the purpose of implementing the Reorganization.

HISTORY, DEVELOPMENT AND REORGANIZATION

On June 24, 2013, one subscriber Share was issued to Sharon Pierson which was transferred on the same date to Splendor Court. On the same date, a total of 1,499,999,999 Shares were issued by the Company to the corporate Shareholders in the proportion as stated below (the following also summarizes the ownership of such corporate Shareholders at such time):

Serial no.	Name of corporate holder of our Shares	Owner of the issued share capital in such corporate holder	Current relationship of the owner with our Group (Note e)	No. of Shares held	Percentage of holding of Shares (%)
1	HLGH Investment	HLGH Trustee	HLGH Trustee was then solely owned by the SA Manager of SA Conch Group. See Note a	871,315,837	58.09
2	NGGH Investment	NGGH Trustee	NGGH Trustee was then solely owned by the SA Manager of SA Ningguo. See Note b	136,344,891	9.09
3	BMGH Investment	BMGH Trustee	BMGH Trustee was then solely owned by the SA Manager of SA Baimashan. See Note c	77,342,372	5.16
4	XCGH Investment	XCGH Trustee	XCGH Trustee was then solely owned by the SA Manager of SA Profiles. See Note d	61,055,991	4.07
5	Splendor Court	Mr. Guo Jingbin	A non-executive Director	62,680,000 (inclusive of the one Share transferred from the initial subscriber)	4.18
6	Starlight Investment	Mr. Li Shunan	—	46,400,000	3.09
7	High Sun	Mr. Guo Wensan	A director of some of the companies which form part of our Investment Assets (including Conch Cement)	66,000,000	4.40
8	Golden Convergence	Mr. Ji Qinying	An executive Director	61,080,000	4.07
9	Global Essence	Mr. Wang Jun	A director of Conch Venture Wuhu, Conch Holdings and Wuhu Conch Hotel and a supervisor of Conch Cement	44,480,000	2.97
10	Fortunate Gold	Mr. Zhu Dejin	—	41,280,000	2.75

HISTORY, DEVELOPMENT AND REORGANIZATION

Serial no.	Name of corporate holder of our Shares	Owner of the issued share capital in such corporate holder	Current relationship of the owner with our Group (Note e)	No. of Shares held	Percentage of holding of Shares (%)
11	Confluence Investment	Mr. Zhu Zhongping	Chief accountant of our Company (a member of the senior management)	32,020,909	2.13
Total				<u>1,500,000,000</u>	<u>100.00</u>

Notes:

- a. HLGH Investment is solely owned by HLGH Trustee. HLGH Investment and the Shares owned by it form part of the trust assets of the HLGH Trusts (i.e. the HLGH Fixed Trust and the HLGH Discretionary Trust), which were founded by Mr. Liu Yi as settlor. Mr. Liu Yi is the sole director of each of HLGH Trustee and HLGH Investment, and is also the sole shareholder of HLGH Trustee.
- b. NGGH Investment is solely owned by NGGH Trustee. NGGH Investment and the Shares owned by it form part of the trust assets of the NGGH Trust, which was founded by Mr. Rao Peijun as settlor. Mr. Rao Peijun is the sole director of each of NGGH Trustee and NGGH Investment, and is also the sole shareholder of NGGH Trustee.
- c. BMGH Investment is solely owned by BMGH Trustee. BMGH Investment and the Shares owned by it form part of the trust assets of the BMGH Trust, which was founded by Mr. Hua Yuzhou as settlor. Mr. Hua Yuzhou is the sole director of each of BMGH Trustee and BMGH Investment, and is also the sole shareholder of BMGH Trustee.
- d. XCGH Investment is solely owned by XCGH Trustee. XCGH Investment and the Shares owned by it form part of the trust assets of the XCGH Trust, which was founded by Mr. Zhou Xiaochuan as settlor. Mr. Zhou Xiaochuan is the sole director of each of XCGH Trustee and XCGH Investment, and is also the sole shareholder of XCGH Trustee.
- e. None of the Individual Owners have any family, business or other relationship with each other or the Controlling Shareholders, other than the following: (i) they are management or employees (or, as the case may be, former management or employees) of the relevant members of our Group or the Anhui Conch Group or CV Investment or its subsidiaries (as the case may be), (ii) they are SA Member Beneficiaries of the SA Conch Group, (iii) they have indirect interest in the Company, and (iv) Mr. Zhu Zhongping (the chief accountant of our Company, being a member of the senior management) owns 25% equity interest in XYY Investment Shanghai (a non-wholly owned subsidiary of CV Investment).

By a resolution passed on July 13, 2013 by all our then Shareholders, the authorized share capital of our Company was increased from HK\$15 million to HK\$150 million divided into 15,000 million Shares of HK\$0.01 each.

Purchase of Shares by Pre-IPO Investors from HLGH Investment

On July 16, 2013, HLGH Investment and the Pre-IPO Investors, among others, entered into two respective agreements for sale and purchase of Shares, pursuant to which HLGH Investment agreed to sell to the Pre-IPO Investors a total of 16,300,000 Shares (being part of the trust assets under the HLGH Discretionary Trust) at an aggregate consideration of HK\$114.1 million. Completion of such Pre-IPO Investment Agreements took place on July 16, 2013 and the purchase price for such sale of Shares was fully paid by the respective Pre-IPO Investors to Conch Venture HK (as nominated by HLGH Investment) on July 16, 2013.

For further details, please refer to the paragraph headed "Pre-IPO Investments" below.

HISTORY, DEVELOPMENT AND REORGANIZATION

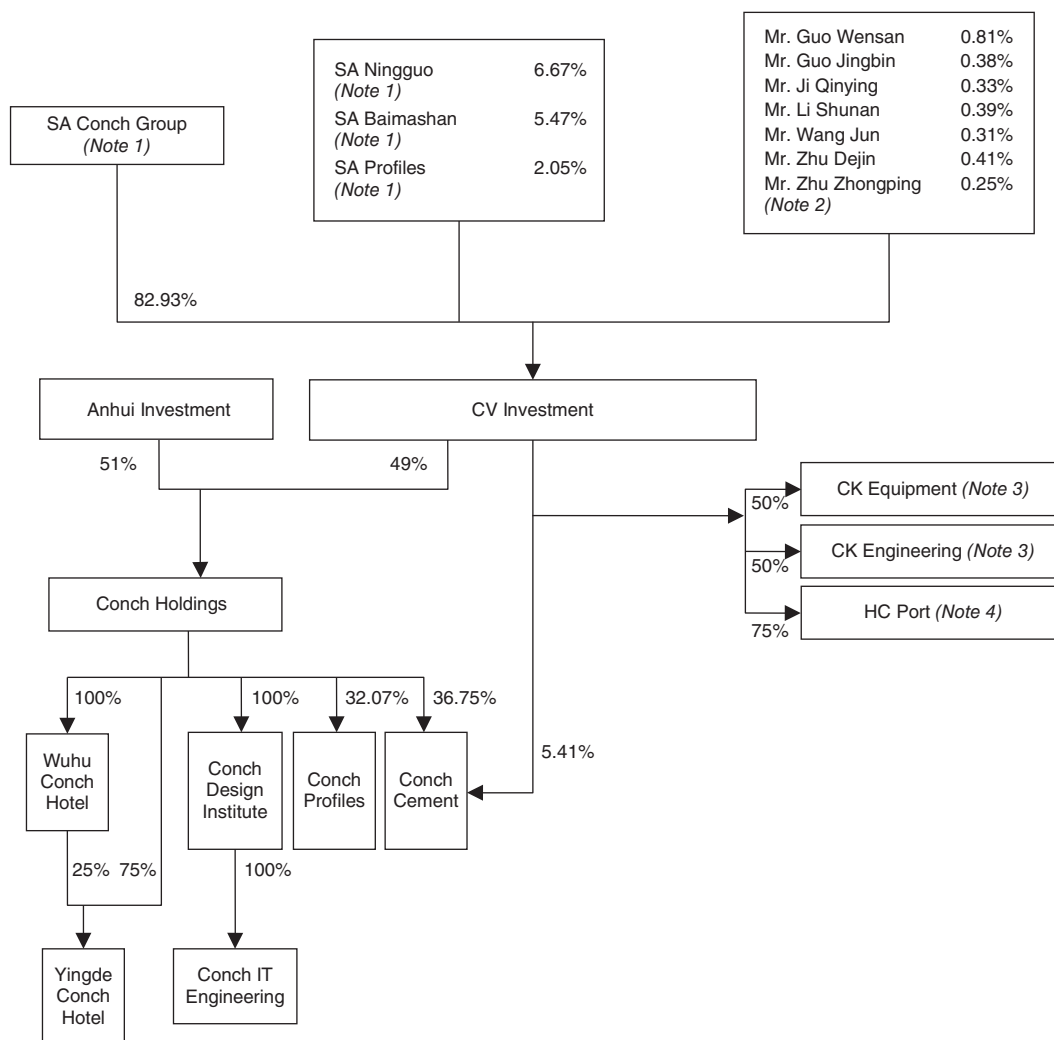
Transfer of Shares from HLGH Investment to HLGH Fixed Investment

On July 17, 2013, by an instrument of transfer, HLGH Investment transferred to HLGH Fixed Investment 703,165,206 Shares (being the trust assets under the HLGH Fixed Trust) at nil consideration. Such transfer was to rationalize the holding of Shares attributable to the HLGH Fixed Trust and the HLGH Discretionary Trust and to facilitate separate management and administration in respect of the trusts.

Following such transfer, the number of Shares held by HLGH Investment and HLGH Fixed Investment is 151,850,631 and 703,165,206 respectively, and these Shares are trust assets attributable to the HLGH Discretionary Trust and the HLGH Fixed Trust respectively.

REORGANIZATION

Prior to the Reorganization which started in May 2013, the corporate structure of our Group was as follows:



HISTORY, DEVELOPMENT AND REORGANIZATION

Notes:

- Each Staff Association has been holding equity interests in CV Investment for the benefit and on behalf of its SA Member Beneficiaries. The SA Manager of each Staff Association has been empowered to exercise voting rights attaching to the shares in CV Investment in such manner as the SA Manager considers appropriate (in his absolute discretion) in connection with matters concerning CV Investment. SA Member Beneficiaries of each Staff Association, through the respective Staff Associations, contributed severally to the registered capital of CV Investment and were entitled to the economic benefits attached to the shares in CV Investment in proportion to the amount of contribution he/she made. The SA Managers of SA Conch Group, SA Ningguo, SA Baimashan and SA Profiles are (and were throughout the Track Record Period) Messrs. Liu Yi, Rao Peijun, Hua Yuzhou and Zhou Xiaochuan respectively.

SA Member Beneficiaries of SA Ningguo, SA Baimashan and SA Profiles are mutually exclusive (i.e. they do not overlap). However, a few SA Member Beneficiaries of SA Ningguo, SA Baimashan and SA Profiles are also SA Member Beneficiaries of SA Conch Group.

- Apart from holding direct equity interests in CV Investment in their own name, these individual SA Member Beneficiaries also since December 31, 2009 have indirectly held benefits to CV Investment through (and in the name of) SA Conch Group, brief details of which are summarized below:

<u>Name of shareholder</u>	Amount of registered capital in CV Investment indirectly entitled	Approximately shareholding in CV Investment
	(RMB)	(%)
Guo Wensan	53,800,065	3.59
Guo Jingbin	56,986,172	3.80
Ji Qinying	56,069,251	3.74
Li Shunan	40,548,803	2.70
Wang Jun	39,847,571	2.66
Zhu Dejin	35,190,185	2.35
Zhu Zhongping	28,232,964	1.88

- The remaining 50% equity interest in both CK Equipment and CK Engineering was held by Kawasaki Partner. Please refer to the section headed “Further information about our Group — Further information about our subsidiaries and investees in the PRC” of Appendix V to this prospectus for details of the board composition and the board voting arrangement of CK Equipment and CK Engineering.
- The remaining 25% equity interest in HC Port is held by Prosperity Trading. Prosperity Holdings is an indirect holding company of (i) Prosperity Trading; and (ii) Crown Wise, being one of the Pre-IPO Investors, and thus Prosperity Trading and Crown Wise are fellow subsidiaries of Prosperity Holdings.

Brief overview of Reorganization steps

In preparation for the Listing and the Global Offering, our Group implemented the Reorganization whereby a coherent corporate structure of the Group has been established in preparation for the Listing. The Reorganization involves the following principal steps:

- Conch Venture BVI (an intermediate holding company incorporated in BVI), Conch Venture HK (an intermediate holding company incorporated in BVI) and Conch Venture Green (a company incorporated in the PRC which will be principally engaged in the business of production, R&D and sale of green building materials) were incorporated;
- Conch Venture Wuhu was established by CV Investment as a PRC domestic enterprise;
- Conch Venture Wuhu purchased from CV Investment 49% equity interest in Conch Holdings (which forms part of our Investment Assets);

HISTORY, DEVELOPMENT AND REORGANIZATION

- (iv) the four SA Managers and seven Individual Owners incorporated or activated BVI companies as investment vehicles to hold the Shares;
- (v) our Company was incorporated, and ratified its pre-incorporation act of establishing Conch Venture BVI;
- (vi) HLGH Investment (one of our Shareholders) sold some Shares to the Pre-IPO Investors, and the sale proceeds were directed by HLGH Investment to be paid to our Group (partly as shareholder's loans and partly as equity-subscription monies), which were applied to the contribution of the registered capital in Conch Venture Green;
- (vii) Conch Venture Green acquired the entire registered capital in Conch Venture Wuhu from CV Investment;
- (viii) Conch Venture Wuhu purchased from CV Investment 51% equity interest in CK Engineering, 51% equity interest in CK Equipment and 75% equity interest in HC Port (which are our three PRC operating subsidiaries during the Track Record Period); and
- (ix) the SA BVI Trusts were established.

Detailed steps of the Reorganization

Further details of the steps taken are as follows:

1. Incorporation of Conch Venture BVI, Conch Venture HK and Conch Venture Green

- (i) Conch Venture BVI was incorporated in BVI on May 31, 2013. Mr. Guo Jingbin activated Conch Venture BVI for and on behalf of our Company (which was then under incorporation).
- (ii) Conch Venture HK was incorporated in Hong Kong on June 13, 2013. Conch Venture BVI was its initial sole shareholder and Mr. Guo Jingbin is its initial sole director.
- (iii) Conch Venture Green was incorporated in the PRC on June 24, 2013. Its sole shareholder was then (and is still) Conch Venture HK. Its initial registered capital was approved to be HK\$100 million. Approval for the establishment of Conch Venture Green was given by the Administrative Committee of Anhui Jiangbei Industrial Centralized Zone (安徽省江北產業集中區管委會) on June 24, 2013, and the business license of Conch Venture Green was given by Wuhu AIC on June 24, 2013.

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Brief details of the above three members of our Group upon their respective incorporation are summarized below:

<u>Name of Group member</u>	<u>Authorised share capital (or total investment)</u>	<u>Subscriber</u>	<u>No. of shares (capital) subscribed</u>	<u>Total subscription price</u>
Conch Venture BVI	US\$50,000 (divided into 50,000 shares of US\$1 each)	Mr. Guo Jingbin (on behalf of our Company then under incorporation)	10,000 shares of US\$1 each	US\$10,000 (being aggregate par values)
Conch Venture HK	HK\$1 million (divided into 10 million shares of HK\$0.1 each)	Conch Venture BVI	100,000 shares of HK\$0.1 each	HK\$10,000 (being aggregate par values)
Conch Venture Green	Total investment being HK\$300 million	Conch Venture HK	Registered capital being HK\$100 million	HK\$100 million

2. Incorporation/Activation of overseas companies by the four SA Managers and seven Individual Owners

- (i) Each of the SA Managers incorporated a private trust company in BVI on June 14, 2013. Such BVI Trustcos were incorporated to become corporate trustees of the SA BVI Trusts (see paragraph 6 below for further details of the SA BVI Trusts). Brief details of the BVI Trustcos are summarized below:

<u>Name of private trust company</u>	<u>Subscriber</u>	<u>No. of shares subscribed and total subscription monies (Note)</u>
HLGH PTC	Mr. Liu Yi (being the SA Manager of SA Conch Group)	1 share at US\$1
NGGH PTC	Mr. Rao Peijun (being the SA Manager of SA Ningguo)	1 share at US\$1
BMGH PTC	Mr. Hua Yuzhou (being the SA Manager of SA Baimashan)	1 share at US\$1
XCGH PTC	Mr. Zhou Xiaochuan (being the SA Manager of SA Profiles)	1 share at US\$1

Note: The number of authorized shares of each of these BVI companies is 50,000 and these shares do not carry any par value.

HISTORY, DEVELOPMENT AND REORGANIZATION

- (ii) On June 18, 2013, each BVI Trustco incorporated a company in BVI to hold shares in our Company. Subsequently on July 9, 2013, HLGH Fixed Investment was incorporated and activated by HLGH PTC on July 17, 2013. These BVI companies form part of the trust assets of the respective SA BVI Trusts (see paragraph 6 below for further details of the SA BVI Trusts). Brief details of these BVI investment holding companies are summarized as follows:

<u>Name of company</u>	<u>Subscriber</u>	<u>No. of shares subscribed (Note)</u>	<u>Total subscription price (being the par value)</u>
HLGH Investment	HLGH PTC	1	US\$1
HLGH Fixed Investment . .	HLGH PTC	1	US\$1
NGGH Investment	NGGH PTC	1	US\$1
BMGH Investment	BMGH PTC	1	US\$1
XCGH Investment	XCGH PTC	1	US\$1

Note: The authorized share capital of each of these BVI companies is US\$50,000 divided into 50,000 shares of US\$1 each.

- (iii) Each of the seven individual shareholders of CV Investment incorporated a BVI company (or, as the case may be, purchased a BVI shelf company and activated it) as investment vehicle to hold Shares in our Company (see paragraph 3 below for brief details of the BVI investment vehicles owned by such individuals). Each such BVI investment vehicle has been solely owned by its respective individual owner up to the Latest Practicable Date.

HISTORY, DEVELOPMENT AND REORGANIZATION

3. Incorporation of the Company and transfer of shares in Conch Venture BVI to the Company

- (i) On June 24, 2013, the Company was incorporated in the Cayman Islands as an exempted company. Its initial authorized share capital is HK\$15 million divided into 1,500 million Shares of HK\$0.01 each. On June 24, 2013, one subscriber Share was issued to Sharon Pierson which was transferred on the same date to Splendor Court. On the same date, a total of 1,499,999,999 Shares were issued at par. Brief details of the Company following such transfer and/or subscriptions are shown below:

<u>Subscriber</u>	<u>Shareholder of the subscriber (Note 4)</u>	<u>No. of Shares subscribed and held</u>	<u>Total subscription price (HK\$) (Note 1)</u>	<u>Shareholding percentage in our Company (Note 4) (%)</u>
HLGH Investment (Note 2)	HLGH PTC	871,315,837	8,713,158.37	58.09
NGGH Investment	NGGH PTC	136,344,891	1,363,448.91	9.09
BMGH Investment	BMGH PTC	77,342,372	773,423.72	5.16
XCGH Investment	XCGH PTC	61,055,991	610,559.91	4.07
High Sun	Mr. Guo Wensan	66,000,000	660,000	4.40
Starlight Investment	Mr. Li Shunan	46,400,000	464,000	3.09
Splendor Court	Mr. Guo Jingbin	62,680,000 (Note 3)	626,800	4.18
Golden Convergence	Mr. Ji Qinying	61,080,000	610,800	4.07
Global Essence	Mr. Wang Jun	44,480,000	444,800	2.97
Fortunate Gold	Mr. Zhu Dejin	41,280,000	412,800	2.75
Confluence Investment	Mr. Zhu Zhongping	32,020,909	320,209.09	2.13
Total		<u>1,500,000,000</u>	<u>15,000,000</u>	<u>100.00</u>

Notes:

- The subscription price is equivalent to the aggregate par values of the number of Shares subscribed.
- Some Shares held by HLGH Investment were subsequently transferred to the Pre-IPO Investors and also to HLGH Fixed Investment. Please refer to the information set out below.
- Inclusive of one subscriber share transferred from Ms. Sharon Pierson.
- The Individual Owners were (and still are) interested in CV Investment through their direct holdings of the registered capital in CV Investment, as well as indirect benefits to registered capital registered in the name of SA Conch Group. The shareholding proportion attributable to each such Individual Owner is the same as (i) the aggregate of the direct and indirect benefits of such persons to CV Investment to (ii) the registered capital of CV Investment as at July 19, 2013.

HISTORY, DEVELOPMENT AND REORGANIZATION

- (ii) On June 28, 2013, our Board passed a resolution to ratify the actions taken (prior to the incorporation of our Company) by Mr. Guo Jingbin on behalf of our Company in activating Conch Venture BVI and subscribing (on behalf of our Company) for 10,000 shares (representing the entire issued share capital of Conch Venture BVI). On the same date, such 10,000 shares were transferred from Mr. Guo Jingbin to our Company for nil consideration. Our Board also approved that all costs and expenses incurred by Mr. Guo Jingbin in the activation of Conch Venture BVI be reimbursed to him.

4. Purchase of Shares by Pre-IPO Investors

- (i) On July 16, 2013, HLGH Investment and the respective Pre-IPO Investors, among others, entered into two agreements for sale and purchase of Shares, whereby HLGH Investment agreed to sell 4.3 million Shares and 12 million Shares to Kelland and Crown Wise respectively, at the purchase price of HK\$30.1 million and HK\$84 million respectively (which is equivalent to HK\$7 per Share). Both Pre-IPO Investment Agreements were completed on July 16, 2013 and the purchase prices under these agreements were paid in full by the Pre-IPO Investors to Conch Venture HK (as nominated by HLGH Investment) on the same date. The transactions were properly and legally completed. For further details of the Pre-IPO Investors and the Pre-IPO Investment Agreements, please refer to the paragraph headed "Pre-IPO Investments" below.
- (ii) On July 16, 2013, HLGH Investment and our Company entered into a loan agreement, whereby HLGH Investment agreed to lend HK\$99.1 million to our Company (as shareholder's loan) for the purpose of paying up the registered capital of HK\$100 million in Conch Venture Green. The loan proceeds were paid to our Group on July 16, 2013. The loan to our Company does not carry interest if it is fully repaid by July 31, 2014, and a 5% annual interest will be incurred after such date. It is a term of the loan agreement that the loan shall be fully repaid by our Company to HLGH Investment by March 31, 2015, but if our Company is listed before such date, the loan shall be fully repaid by the Company to HLGH Investment within 60 days from the date of Listing.

The remaining balance of the sale proceeds in the sum of HK\$15 million arising from the Pre-IPO Investment Agreements and received by HLGH Investment was applied to paying up the Shares subscribed by the 11 initial Shareholders upon the incorporation of the Company.

5. Acquisition of assets in the PRC

- (i) Conch Venture Wuhu was incorporated in the PRC on May 31, 2013. At the time of its incorporation, its registered capital was RMB100 million, and its sole shareholder was CV Investment.
- (ii) By an agreement dated June 8, 2013 and made between CV Investment and Conch Venture Wuhu, 49% equity interest in Conch Holdings held by CV Investment was agreed to be sold and transferred to Conch Venture Wuhu at a consideration of approximately RMB766.45 million. Registration of the change in shareholder of such 49% equity interest in Conch Holdings was effected with Wuhu AIC on June 13, 2013. The transaction was properly and legally completed. Under such sale and purchase agreement, it was agreed that the consideration for the acquisition in the sum of about RMB766.45 million shall be

HISTORY, DEVELOPMENT AND REORGANIZATION

settled by: (i) as to RMB750 million, by Conch Venture Wuhu assuming the repayment obligations of CV Investment under the following five loan agreements:

<u>Name of bank</u>	<u>Date of loan agreement</u>	<u>Principal amount</u>	<u>Interest rate (% per annum)</u>	<u>Maturity date (Note 2)</u>
Huishang Bank, Wuhu Branch (徽商銀行蕪湖分行)	November 28, 2012	RMB80 million	5.4%	November 28, 2013
Huishang Bank, Wuhu Branch (徽商銀行蕪湖分行)	December 6, 2012	RMB220 million	5.4%	December 6, 2013
Bank of Communication Co., Ltd., Wuhu Branch (交通銀行股份有限公司蕪湖分行)	December 12, 2012	RMB50 million	5.4%	December 12, 2013
Bank of Communication Co., Ltd., Wuhu Branch (交通銀行股份有限公司蕪湖分行)	December 27, 2012	RMB250 million	5.4%	December 27, 2013
Bank of China, Wuhu Branch (中國銀行蕪湖分行)	December 20, 2011	RMB150 million	6.15% (Note 1)	December 20, 2014

Notes:

1. In respect of this loan agreement, the applicable interest rate is (i) 6.65% (from December 20, 2011 to December 19, 2012) and (ii) 6.15% (from December 20, 2012 onwards).
2. In October 2013, our Group negotiated with lending banks to extend the repayment term of short-term loans of RMB600 million.

and (ii) as to the remaining balance of RMB16,445,373.60 was paid in cash on June 28, 2013.

Under the articles of association of Conch Holdings, any shareholder who intends to transfer its equity interest in Conch Holdings to any third parties must obtain consents of all other shareholders of Conch Holdings before the transfer. Any shareholder who disagrees with the transfer shall purchase such equity interest, and such shareholder will be deemed as agreeing with the transfer if it does not purchase the equity interest concerned within the prescribed time of offer. As confirmed by the PRC legal advisor of the Company, CV Investment has obtained the consent from the other shareholder of Conch Holdings, Anhui Investment, for such transfer of equity interest in Conch Holdings to Conch Venture Wuhu.

- (iii) By an agreement dated July 8, 2013 and made between CV Investment and Conch Venture Green, the entire equity interest in Conch Venture Wuhu was agreed to be sold and transferred to Conch Venture Green from CV Investment at the consideration of RMB100 million. Such consideration was determined based on the nominal amount of registered capital of Conch Venture Wuhu, and was fully settled on August 12, 2013 by payment in cash. The transaction was properly and legally completed. In order to settle such consideration in cash, Conch Venture Green and Huishang Bank, Wuhu Branch entered into a loan agreement on August 8, 2013 whereby a loan in the sum of RMB100 million was granted to Conch Venture Green with a maturity date of August 8, 2014. The loan carries interest equivalent to 90% of the relevant one-year prime rate published by the People's Bank of China on the date of drawdown. The loan

HISTORY, DEVELOPMENT AND REORGANIZATION

repayment obligation of Conch Venture Green was guaranteed by CV Investment, and such guarantee was discharged in November 2013. Registration of the change in shareholder of Conch Venture Wuhu was effected with Wuhu AIC on July 11, 2013.

- (iv) By (i) two respective agreements both dated July 4, 2013 and made between CV Investment (as vendor) and Conch Venture Wuhu (as purchaser) and (ii) an agreement dated June 20, 2013 and made between CV Investment (as vendor) and Conch Venture Wuhu (as purchaser), the equity interest held by CV Investment in each of CK Equipment, CK Engineering and HC Port was agreed to be transferred to Conch Venture Wuhu. The transactions were properly and legally completed. Brief details of these agreements and the related completion arrangements are summarized below:

<u>Equity interest being agreed to be transferred</u>	<u>Consideration (RMB), and basis of consideration</u>	<u>Commerce Authority which approved the transfer of the equity interest concerned, and relevant date of approval</u>	<u>Local AIC which registered the transfer of the equity interest concerned, and relevant date of filing</u>
75% equity interest in HC Port held by CV Investment	RMB165,375,000 (based on carrying value of investment as at December 31, 2012)	Jiangsu Provincial Commerce Authority on July 16, 2013	Yangzhou AIC on July 31, 2013
51% equity interest in CK Engineering held by CV Investment	RMB54,766,455.42 (based on carrying value of investment as at December 31, 2012)	Anhui Commerce Authority on July 19, 2013	Wuhu AIC on July 26, 2013
51% equity interest in CK Equipment held by CV Investment	RMB53,934,232.93 (based on carrying value of investment as at December 31, 2012)	Anhui Commerce Authority on July 19, 2013	Wuhu AIC on July 26, 2013

Under an agreement for financing arrangement dated July 25, 2013 and made between CV Investment and Conch Venture Wuhu, it was agreed that the aggregate consideration for the three acquisitions in the sum of RMB274,075,688.35 shall be settled by: (i) as to RMB200 million, by Conch Venture Wuhu assuming the repayment obligations of CV Investment under two loan agreements dated April 2013 and June 2013 respectively, both made with Agricultural Bank of China Ltd, Wuhu Branch (農業銀行蕪湖分行), and (ii) as to the remaining balance of RMB74,075,688.35 shall be paid within 60 days from the date of such agreement for financing arrangement becoming effective. Under the said loan agreements, the maturity dates for the principal amounts of RMB100 million and RMB100 million are April 17, 2014 and June 27, 2014 respectively. These loans carry interests equivalent to 90% of the relevant one-year prime rate published by the People's Bank of China on the date of drawdown.

HISTORY, DEVELOPMENT AND REORGANIZATION

6. Establishment of the SA BVI Trusts

On August 23, 2013, the trust deeds in respect of the SA BVI Trusts were executed with the date of establishment of such trusts taking effect from July 11, 2013. Brief details of the SA BVI Trusts upon their establishment are summarized below:

<u>Name of trust</u>	<u>Settlor</u>	<u>Trustee</u>	<u>Beneficiaries</u>	<u>Direct trust assets</u>	<u>Attributable interest in our Company upon the establishment of the SA BVI Trusts prior to completion of the Pre-IPO Investment Agreements</u>
The HLGH Discretionary Trust	Mr. Liu Yi	HLGH PTC	HLGH Discretionary Objects (i.e. employees from time to time of Conch Holdings, CV Investment, our Company and those of their respective direct or indirect subsidiaries and companies in which they have interests, and who are concurrently members of the staff associations of any one or more of these companies)	HLGH Investment (Note)	11.21%
The HLGH Fixed Trust	Mr. Liu Yi	HLGH PTC	3,593 fixed beneficiaries, who are SA Member Beneficiaries of SA Conch Group	HLGH Fixed Investment (Note)	46.88%
The NGGH Trust . . .	Mr. Rao Peijun	NGGH PTC	1,424 fixed beneficiaries, who are SA Member Beneficiaries of SA Ningguo	NGGH Investment	9.09%
The BMGH Trust . . .	Mr. Hua Yuzhou	BMGH PTC	1,146 fixed beneficiaries, who are SA Member Beneficiaries of SA Baimashan	BMGH Investment	5.16%
The XCGH Trust . . .	Mr. Zhou Xiaochuan	XCGH PTC	683 fixed beneficiaries, who are SA Member Beneficiaries of SA Profiles	XCGH Investment	4.07%

Note: On July 17, 2013, by an instrument of transfer, HLGH Investment transferred to HLGH Fixed Investment 703,165,206 Shares (being the trust assets under the HLGH Fixed Trust) at nil consideration. Such transfer was to rationalize the holding of Shares attributable to the HLGH Fixed Trust and the HLGH Discretionary Trust. Following such transfer, the number of Shares held by HLGH Investment and HLGH Fixed Investment was 151,850,631 and 703,165,206 respectively, which are trust assets attributable to the HLGH Discretionary Trust and the HLGH Fixed Trust respectively.

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Further details of the attributable interests of the fixed beneficiaries in the Company as at the Latest Practicable Date under the fixed trusts (namely HLGH Fixed Trust, NGGH Trust, BMGH Trust and XCGH Trust) are set out below:

	Largest attributable interest in the Company owned by a beneficiary	Smallest attributable interest in the Company owned by a beneficiary
	(%)	(%)
The HLGH Fixed Trust	2.05	0.00005
The NGGH Trust	0.19	0.0001
The BMGH Trust	0.05	0.0001
The XCGH Trust	0.10	0.0005

Among the four fixed trusts, 9 beneficiaries (who are beneficiaries under the HLGH Fixed Trust) are entitled to 0.5% or more attributable interest in the Company. The name of such beneficiaries and their attributable interest in the Company as at the Latest Practicable Date are set out below:

Name of beneficiary	Attributable interest in the Company
	(%)
Ren Yong 任勇	2.05
He Chengfa 何承發	1.51
Zhang Mingjing 章明靜 (Note 1)	1.16
Qi Shengli 齊生立	1.12
Xi He 席河	0.64
Li Leyi 李樂意	0.62
Wang Biao 王彪	0.53
Li Jian 李劍 (Note 2)	0.51
Zhang Changle 張長樂	0.51

Notes:

1. Ms. Zhang Mingjing is the spouse of Mr. Zhu Zhongping (the chief accountant of our Company, being a member of the senior management).
2. Mr. Li Jian is an executive Director.

Under the trust deeds constituting the SA BVI Trusts, each trustee has been given the widest possible powers (which it may exercise or omit to exercise at its discretion) for the trustee to deal in and manage (among other powers) its trust assets as if it were the absolute beneficial owner of such trust assets, including without limitation, the power to vote upon or in respect of (and accordingly, to procure any of its investment vehicles to vote upon or in respect of) the Shares comprised in the trust assets at its own discretion, and the SA Member Beneficiaries do not have power to vote upon or in respect of the Shares.

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The trustee of the HLGH Discretionary Trust may, with the prior or contemporaneous written consent of the protector (as may be appointed from time to time in accordance with the terms of the HLGH Discretionary Trust) of the HLGH Discretionary Trust, pay, apply or otherwise distribute the income and capital of the trust fund to the HLGH Discretionary Objects (or to their respective orders in writing) in such manner, in such amount and at such times as the trustee in its discretion thinks fit.

The trustee of each of the HLGH Fixed Trust, the NGGH Trust, the BMGH Trust and the XCGH Trust shall, with the prior or simultaneous written consent of the protector (as may be appointed from time to time in accordance with the terms of the respective trusts) of the relevant trust, pay, apply or otherwise distribute the income and capital of the trust fund to the fixed beneficiaries (or to their respective orders in writing) of the relevant trust in accordance with their respective shares in the trust fund of the relevant trust in such manner, at such times and in whole or in part and in the latter case, in such amount or value, as the trustee in its discretion thinks fit.

In general, no payment, application or distribution of the capital of the trust fund of each SA BVI Trust in the form of Shares shall be made to any beneficiaries during the period from the date of set up of the SA BVI Trust (i.e. July 11, 2013) to the first anniversary of the Listing Date (both days inclusive), unless and to the extent otherwise directed in writing by the protector of the SA BVI Trust. If any Shares are so paid, applied or otherwise distributed during the above restriction period, any beneficiary (or his nominee) who has the right to take up such Shares must give non-disposal undertakings during the period from the date of receipt of the Shares to the date falling on the first anniversary of the Listing Date (both days inclusive) (or such other period as the protector of the SA BVI Trust may require) and/or give such other undertakings on terms and conditions as may be required by any underwriting agreement(s) in respect of the offering of the Shares as part of the proposed Listing.

Under the SA BVI Trusts, the protector shall be: (i) if the Chairman of the Company is also an executive Director, a majority of the executive Directors from time to time, or (ii) if the Chairman of the Company is not an executive Director, the Chairman and a majority of the executive Directors from time to time; or (iii) if there is no person appointed or otherwise acting as Chairman of the Company, either the sole executive Director or a majority of the executive Directors from time to time. When more than one person act as the "protector", they are to act jointly and by majority votes.

7. Global Offering

Our Company will offer new Shares for subscription by the Global Offering. The Shares to be offered under the Global Offering are expected to represent not less than 15% of the enlarged issued share capital of our Company, immediately after completion of the Global Offering (without taking account of any Shares which may be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

GENERAL

As advised by our PRC legal advisor, all necessary approvals, permits and licenses as required under the PRC law (including the SAFE Circular No. 75 registration which was completed in August 2013) in relation to our Reorganization have been obtained by our Group.

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M&A Rules

On August 8, 2006, six PRC Government authorities, including MOFCOM and the CSRC, promulgated the M&A Rules which came into effect on September 8, 2006. The M&A Rules require that an offshore special purpose vehicle controlled directly or indirectly by PRC domestic companies, enterprises or natural persons shall obtain approval of MOFCOM prior to acquisition of the domestic enterprises related to such companies, enterprises or natural persons. During our Reorganization, we had consulted the relevant officer of the Anhui Provincial Commerce Authority (安徽省商務廳) who was in charge of the foreign investment matters and had appropriate level of authority. Further, Anhui Provincial Commerce Authority as a competent authority issued a confirmation letter on July 19, 2013 confirming the legality and validity of our Reorganization. Our PRC legal advisor has advised that Mr. Liu Yi, Mr. Rao Peijun, Mr. Hua Yuzhou, Mr. Zhou Xiaochuan, Mr. Ji Qinying, Mr. Zhu Zhongping and Mr. Guo Jingbin (being the individuals who may control or influence our Group) are not regarded as PRC domestic natural persons under the M&A Rules as Mr. Liu Yi, Mr. Rao Peijun, Mr. Hua Yuzhou, Mr. Zhou Xiaochuan, Mr. Ji Qinying, Mr. Zhu Zhongping have been permanent residents of Republic of Guinea-Bissau, and Mr. Guo Jingbin has been a permanent resident of Vanuatu prior to the acquisition of the relevant domestic enterprises by our Company. Accordingly, our Reorganization is not subject to the M&A Rules, and it is not necessary for us to obtain approval from MOFCOM for our Reorganization nor from the CSRC for the Listing and trading of our securities on the Stock Exchange.

PRE-IPO INVESTMENTS

Background

On July 16, 2013, HLGH Investment and each of the Pre-IPO Investors entered into a share purchase agreement, whereby HLGH Investment sold a total of 16,300,000 Shares to Pre-IPO Investors at the aggregate consideration of HK\$114.1 million. Such purchases were completed on July 16, 2013 and the consideration was fully paid by the Pre-IPO Investors to HLGH Investment on July 16, 2013. Following the completion of such purchase, the total number of Shares held by the Pre-IPO Investors was 16,300,000, which represented approximately 1.09% of the then issued share capital in our Company.

Kelland is an Independent Third Party to our Company and the Controlling Shareholders (other than being a Shareholder of our Company pursuant to the relevant Pre-IPO Investment Agreement). Crown Wise, which ultimate holding company is Prosperity Holdings and is a fellow subsidiary of Prosperity Trading, the holder of 25% equity interest in HC Port. To the best knowledge and belief of our Directors, the Pre-IPO Investors made such investments in our Group based on their expectations of our growth potential and prospects.

HISTORY, DEVELOPMENT AND REORGANIZATION

Brief details of the Pre-IPO Investment Agreements are as follows:

Date of agreement	July 16, 2013	July 16, 2013
Parties	HLGH Investment (as vendor)	HLGH Investment (as vendor)
	Crown Wise (as purchaser), which ultimate holding company is Prosperity Holdings and is a fellow subsidiary of Prosperity Trading, holder of 25% equity interest in HC Port	Kelland (as purchaser), which is solely owned by Ms. Chen Xiao Ping, an Independent Third Party
	Prosperity Minerals Holdings Limited (as guarantor to guarantee the due performance and fulfillment of obligations by Crown Wise)	Chen Xiao Ping (as guarantor to guarantee the due performance and fulfillment of obligations by Kelland)
	Our Company	Our Company
Background information of the purchaser (or its owner)	Prosperity Holdings is a company incorporated in Bermuda and whose shares are listed on Hong Kong Stock Exchange (Stock Code: 803). Its principal businesses include trading of clinker, cement and other building materials; investment of granite material production; trading of iron ore; investment in public port and other related facilities business and real estate development	Kelland is an investment holding company, which holds assets involved in property investment, mining development and auto parts productions
Number of Shares purchased	12 million	4.3 million
Consideration	HK\$84 million	HK\$30.1 million
Basis of determination of consideration	The carrying value as at December 31, 2012 and the performance of our Company, and taking into account that our Company is not yet listed	The carrying value as at December 31, 2012 and the performance of our Company, and taking into account that our Company is not yet listed
Effective purchase cost per Share	HK\$7	HK\$7
Payment date (i.e. completion date)	July 16, 2013	July 16, 2013

HISTORY, DEVELOPMENT AND REORGANIZATION

Percentage shareholding of the Pre-IPO Investor immediately following completion of the Pre-IPO Investment Agreement	0.80%	0.29%
Percentage of shareholding of the Pre-IPO Investor immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised at all)	0.68%	0.25%
Discount to the Offer Price (based on the mid-point of the Offer Price range stated in this prospectus)	43.8%	43.8%
Lock-up	Within 18 months from the date of the Pre-IPO Investment Agreement, the Pre-IPO Investor shall not transfer or create any encumbrance over the Shares purchased under the Pre-IPO Investment Agreement. Where our Shares are listed within 18 months from the date of the Pre-IPO Investment Agreement, the lock-up will expire on the date falling 6 months from the Listing Date	
Repurchase Obligation	If our Shares are not listed on the Stock Exchange within 12 months (or such longer period as may be agreed by the parties to the Pre-IPO Investment Agreement) from the date of completion (July 16, 2013), HLGH Investment shall repurchase the number of Shares sold to the respective Pre-IPO Investor at a consideration equal to 105% of the consideration paid under the Pre-IPO Investment Agreement. Completion date of such repurchase is provided to be the date falling 15 months from the date of the Pre-IPO Investment Agreement.	
Special rights (if any)	Nil	Nil
Public float	The Shares purchased by Crown Wise will not be counted as part of the public float of our Company, because Crown Wise is an associate of Prosperity Trading, the holder of 25% equity interest in HC Port.	The Shares purchased by Kelland will be counted as part of the public float of our Company as Kelland is an Independent Third Party.

Use of proceeds

On July 16, 2013, HLGH Investment and our Company entered into a loan agreement, whereby HLGH Investment agreed to lend HK\$99.1 million (RMB78.6 million, based on the exchange rate at the time of the loan) to the Company (as shareholder's loan) for the purpose of paying up the registered capital of HK\$100 million in Conch Venture Green. The loan proceeds were paid to our Group on July 16, 2013. The loan to our Company does not carry interest if it is

HISTORY, DEVELOPMENT AND REORGANIZATION

fully repaid by July 31, 2014, and 5% annual interest will apply after such date. The loan shall be fully repaid by our Company to HLGH Investment by March 31, 2015. It is a term of the loan agreement that if our Company is listed before such date, the loan shall be fully repaid by our Company to HLGH Investment within 60 days from the date of Listing. Such loan was fully utilized by our Company for the purpose of paying up the registered capital of Conch Venture Green. The Directors are of the view that the investments under the Pre-IPO Investment Agreements would not bring material strategic benefits to the Group. In November 2013, our Group arranged for banking facilities of HK\$100 million (RMB78.7 million) from Industrial and Commercial Bank of China (Asia) Limited, an Independent Third Party, for the purpose of replacing the shareholder's loan before listing. Please refer to the section headed "Financial information — Indebtedness" for the details of such banking facilities. Although the banking facilities have been arranged, our Group plans to use part of the proceeds from the Global Offering to fully repay such shareholder's loan shortly after receiving such proceeds (which is expected to be within 10 business days after the date of Listing) to save the related interest costs.

The remaining balance of the sale proceeds in the sum of HK\$15 million arising from the Pre-IPO Investment Agreements and received by HLGH Investment was applied for paying up the 1,500 million Shares subscribed by the 11 initial Shareholders upon the incorporation of our Company.

Confirmation from the Sole Sponsor

Based on the above, the Sole Sponsor has confirmed that the investments by the Pre-IPO Investors are in compliance with the Interim Guidance on Pre-IPO Investments issued on October 13, 2010 by the Stock Exchange, the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 by the Stock Exchange and the Guidance Letter HKEx-GL44-12 issued in October 2012 by the Stock Exchange.

OUR INVESTMENT ASSETS: THE ANHUI CONCH GROUP

As at the Latest Practicable Date, Conch Venture Wuhu (an indirect wholly-owned subsidiary of our Company) held 49% equity interest in Conch Holdings which in turn owned the following:

- 1,948,526,927 Conch Cement A-Shares of RMB1 each, which represented (i) about 36.78% of the entire issued share capital in Conch Cement, or (ii) about 48.73% of the class of Conch Cement A-Shares then in issue. Conch Cement H-Shares were listed on the Stock Exchange, while Conch Cement A-Shares were listed on the Shanghai Stock Exchange;
- 115,445,455 Conch Profiles Shares of RMB1 each, which represented about 32.07% of the entire issued share capital in Conch Profiles. Conch Profiles Shares were listed on the Shenzhen Stock Exchange;
- the entire issued share capital in each of Wuhu Conch Hotel, Yingde Conch Hotel and Conch Design Institute (which in turn owned the entire registered capital in Conch IT Engineering).

Anhui Investment owns 51% equity interest in Conch Holdings and is a State-owned enterprise under the auspices of Anhui SASAC.

HISTORY, DEVELOPMENT AND REORGANIZATION

CV Investment had held interest in Conch Holdings beginning from November 2002 until the implementation of the Reorganization in July 2013, when CV Investment disposed of its indirect interest in Conch Holdings to Conch Venture Green. The investment in Conch Holdings formed part of the assets of CV Investment for over 11 years before its transfer to Conch Venture Green. Having considered such historical background and that the stable source of earnings that Conch Holdings could provide to our Group, the investment in Conch Holdings was included as part of our assets during the Reorganization.

In our Group's audited financial statements as at June 30, 2013, our interest in Conch Holdings amounted to about RMB8,761.8 million, and represented about 77.9% of the total asset value of our Group as at such date. Some brief information on our Investment Assets is set out below:

Name of member of the Anhui Conch Group	Date of incorporation	Registered capital as at the Latest Practicable Date (RMB)	Percentage holding attributable to Conch Holdings (%)	Principal activities
Conch Cement	September 1, 1997	RMB5,299,302,579	36.78%	production and sales of cement, and commodity clinker required for production of high-grade cement
Conch Profiles	October 16, 1996	RMB360,000,000	32.07%	production, sales and installation of plastic profile, doors, windows, metal and steel products
Conch Design Institute . . .	August 10, 1998	RMB15,000,000	100%	construction design and environmental engineering consultancy
Conch IT Engineering	June 12, 2008	RMB5,000,000	100%	industry automated system design, computer system engineering design and development and sale and software
Wuhu Conch Hotel	September 26, 1999	RMB68,500,000	100%	operation of hotel and food and beverage business
Yingde Conch Hotel	September 10, 2003	RMB63,800,000	100%	operation of hotel and food and beverage business

All the companies comprising the Anhui Conch Group are incorporated in the PRC.

Conch Holdings

Conch Holdings was first established as a State-owned enterprise in 1996. It then held certain assets relating to its cement manufacturing and distribution business. These subsidiaries and their other assets and liabilities were subsequently restructured into Conch Cement. Conch Cement H-Shares became listed on the Stock Exchange in October 1997.

The assets of Conch Holdings grew in subsequent years. In April 2000, Conch Holdings, through its subsidiary, acquired 51% equity interest in Conch Profiles (then known as HX Xuan Paper). Subsequently, Conch Holdings made investments in other sectors, and set up and held interests in Conch Design Institute, Wuhu Conch Hotel and Yingde Conch Hotel. Our Group intends to hold its interest in Conch Holdings as long-term investment.

HISTORY, DEVELOPMENT AND REORGANIZATION

For details concerning the dividend policy of Conch Holdings, please refer to the paragraph headed “Further information about our Group — Further information about our subsidiaries and investees in the PRC — Further information about Anhui Conch Group — Conch Holdings” of Appendix V to this prospectus.

Interest in Conch Cement

As at June 30, 2013, Conch Cement was the holding company of about 110 subsidiaries. The Conch Cement Group has been principally engaged in the production and sales of cement, and commodity clinker required for production of high-grade cement. Its expansion was made through incorporation of new companies as well as by way of mergers and acquisitions.

In terms of the share capital in Conch Cement, Conch Cement H-Shares first became listed on the Main Board of the Stock Exchange in October 1997. Conch Cement A-Shares first became listed on the Shanghai Stock Exchange in February 2002. In 2006, Conch Holdings implemented a share segregation reform pursuant to which the Conch Cement Domestic Shares held by Conch Holdings were conferred flotation rights. In 2006 and 2007, Conch Cement acquired certain assets from Conch Holdings and CV Investment, in connection with which consideration shares (in the form of Conch Cement A-Shares) were issued to Conch Holdings and CV Investment. From its incorporation up to the Latest Practicable Date, Conch Cement conducted placing as well as capitalization exercises.

As at June 30, 2013, Conch Cement had 5,299,302,579 Shares in issue, comprising 3,999,702,579 Conch Cement A-Shares and 1,299,600,000 Conch Cement H-Shares. For further details, please refer to the announcements and circulars previously made by Conch Cement.

Conch Cement A-Shares and Conch Cement H-Shares generally rank equally in all respects, except that: (i) ownership of Conch Cement A-Shares is restricted to PRC nationals, legal persons or qualified foreign investment institutions, while ownership of Conch Cement H-Shares is restricted to investors outside mainland China; and (ii) dividends on Conch Cement A-Shares are payable in RMB, while dividends on Conch Cement H-Shares are payable in Hong Kong Dollars.

Conch Holdings adopted a plan (the “Share Acquisition Plan”) to purchase (through Conch Design Institute) Conch Cement A-Shares trading on the Shanghai Stock Exchange beginning from November 12, 2013 for a period of 12 months, and the aggregate number of Conch Cement A-Shares to be purchased by Conch Holdings (through Conch Design Institute) would not exceed 2% of the total number of issued shares in Conch Cement. Up to the Latest Practicable Date, Conch Design Institute purchased a total of 1,587,083 Conch Cement A-Shares under the Share Acquisition Plan. For further information of the Share Acquisition Plan, please refer to the announcement of Conch Cement dated November 12, 2013.

For details concerning the dividend policy of Conch Cement and restriction on transfer of shares in Conch Cement held by Conch Holdings, please refer to paragraph headed “Further information about our Group — Further information about Anhui Conch Group — Conch Cement” of Appendix V to this prospectus.

HISTORY, DEVELOPMENT AND REORGANIZATION

Interest in Conch Profiles

Conch Profiles is principally engaged in the business of production, sales and installation of plastic profile, doors, windows, metal and steel products. It is the largest supplier of plastic profiles in 2012, according to the Roland Berger Report. Conch Holdings acquired approximately 51% equity interest in Conch Profiles in 2000. As at the Latest Practicable Date, Conch Holdings held approximately 32.07% equity interest in Conch Profiles.

Since 2002 and up to the Latest Practicable Date, the registered capital in Conch Profiles has not changed. As at the Latest Practicable Date, Conch Profiles had 360,000,000 shares of RMB1 each in issue.

For details concerning the dividend policy of Conch Profiles and restriction on transfer of shares in Conch Profiles held by Conch Holdings, please refer to paragraph headed “Further information about our Group — Further information about Anhui Conch Group — Conch Profiles” of Appendix V to this prospectus.

Wuhu Conch Hotel

Wuhu Conch Hotel was first established in September 1999 and is a wholly owned subsidiary of Conch Holdings. Wuhu Conch Hotel is principally engaged in operation of Wuhu Conch International Hotel (蕪湖海螺國際大酒店) and food and beverage business. Wuhu Conch International Hotel is located at No. 39 Wenhua Road, Wuhu, Anhui, the PRC.

For details concerning the dividend policy of Wuhu Conch Hotel and restriction on transfer of shares in Wuhu Conch Hotel held by Conch Holdings, please refer to paragraph headed “Further information about our Group — Further information about Anhui Conch Group — “Wuhu Conch Hotel” of Appendix V to this prospectus.

Yingde Conch Hotel

Yingde Conch Hotel was incorporated in September 2003 and is principally engaged in the operation of Yingde Conch International Hotel (英德海螺國際大酒店) and food and beverage business. Yingde Conch International Hotel is located at East of Zhenyang Nanqiao West Road, Yingcheng Town, Yingde City. As at the Latest Practicable Date, Yingde Conch Hotel was held as to 75% by Conch Holdings.

For details concerning the dividend policy of Yingde Conch Hotel and restriction on transfer of shares in Yingde Conch Hotel held by Conch Holdings, please refer to paragraph headed “Further information about our Group — Further information about Anhui Conch Group — “Yingde Conch Hotel” of Appendix V to this prospectus.

Conch Design Institute

Conch Design Institute was established in August 1998 and has been principally engaged in construction design and environmental engineering consultancy.

At its incorporation, the registered capital of Conch Design Institute amounted to RMB500,000. Such registered capital was increased to RMB1 million in May 2002, to RMB6 million in 2004 and to RMB15 million in 2009. All such increases were effected by capitalization of undistributed profits.

Since its incorporation and up to the Latest Practicable Date, Conch Design Institute has been solely owned by Conch Holdings.

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For details concerning the dividend policy of Conch Design Institute and restriction on transfer of shares in Conch Design Institute held by Conch Holdings, please refer to paragraph headed “Further information about our Group — Further information about Anhui Conch Group — “Conch Design Institute” of Appendix V to this prospectus.

Conch IT Engineering

Conch IT Engineering was established in June 2008 and has been principally engaged in the business of industry automated system design, computer system engineering design and development and sale and software.

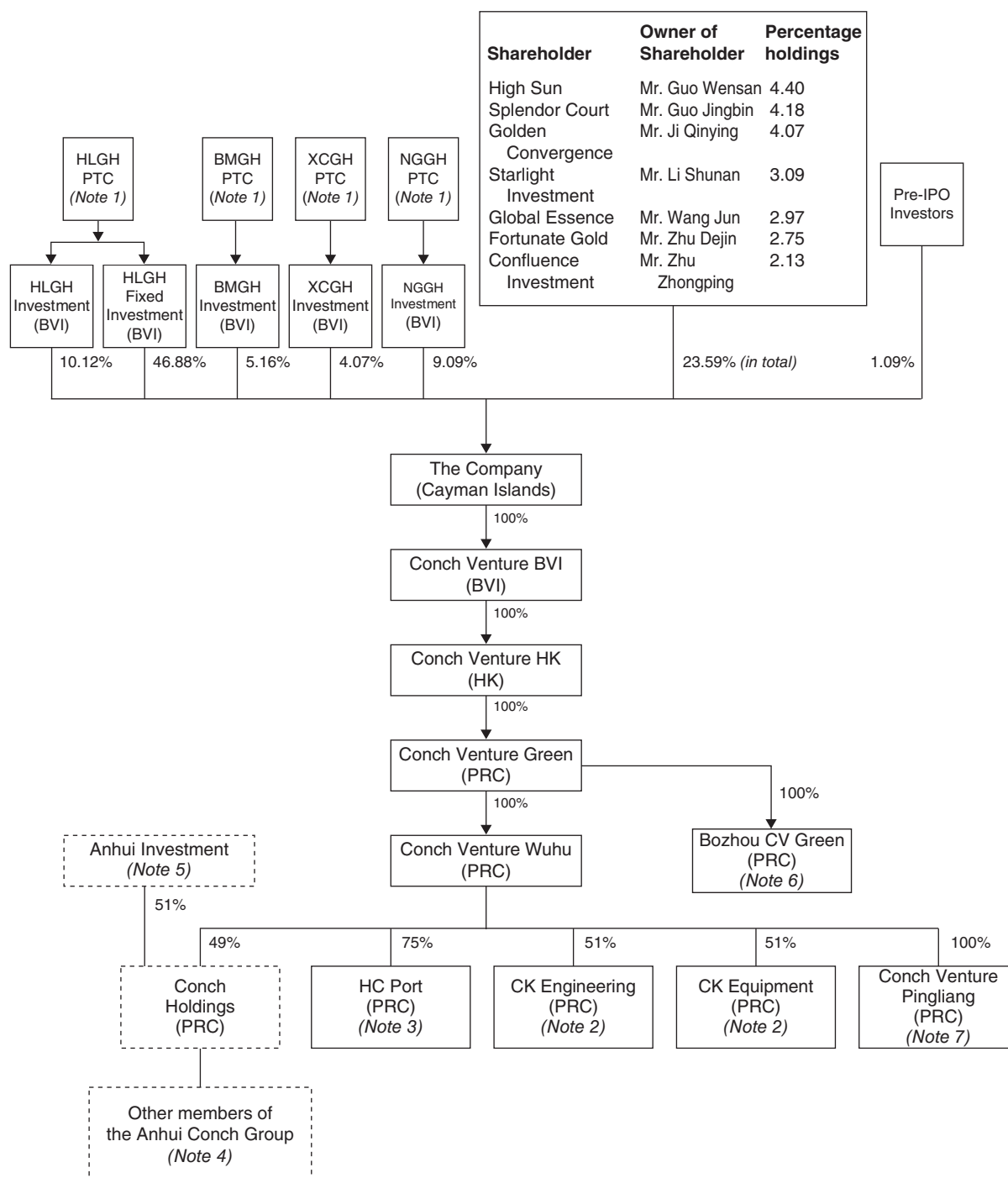
Since its incorporation and up to the Latest Practicable Date, the registered capital of Conch IT Engineering amounted to RMB5 million and has been solely owned by Conch Design Institute.

For details concerning the dividend policy of Conch IT Engineering and restriction on transfer of shares in Conch IT Engineering held by Conch Holdings, please refer to paragraph headed “Further information about our Group — Further information about Anhui Conch Group — “Conch IT Engineering” of Appendix V to this prospectus.

HISTORY, DEVELOPMENT AND REORGANIZATION

CORPORATE STRUCTURE

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



HISTORY, DEVELOPMENT AND REORGANIZATION

Notes:

1. Each BVI Trustco holds the entire issued share capital in its corporate vehicle(s) holding Shares (the “SA Corporate Shareholders”) and in turn the Shares as trustee of the respective SA BVI Trusts. The respective director and shareholder of the relevant BVI Trustcos and its SA Corporate Shareholders is shown below:

Name of Trustco and the SA Corporate Shareholder	Director	Shareholder
HLGH PTC	Mr. Liu Yi, SA Manager of SA Conch Group	— same as left
HLGH Investment	— same as above	HLGH PTC
HLGH Fixed Investment	— same as above	HLGH PTC
NGGH PTC	Mr. Rao Peijun, SA Manager of SA Ningguo	— same as left
NGGH Investment	— same as above	NGGH PTC
BMGH PTC	Mr. Hua Yuzhou, SA Manager of SA Baimashan	— same as left
BMGH Investment	— same as above	BMGH PTC
XCGH PTC	Mr. Zhou Xiaochuan, SA Manager of SA Profiles	— same as left
XCGH Investment	— same as above	XCGH PTC

2. The remaining 49% equity interest in each of CK Equipment and CK Engineering is held by Kawasaki Partner.

3. The remaining 25% equity interest in HC Port is held by Prosperity Trading. Prosperity Holdings is an indirect holding Company of (i) Prosperity Trading; and (ii) Crown Wise, being one of the Pre-IPO Investors, and thus Prosperity Trading and Crown Wise are fellow subsidiaries of Prosperity Holdings.

4. The equity interests held by Conch Holdings in the other members of the Anhui Conch Group as at the Latest Practicable Date are summarized below:

Name of company	Percentage holdings (%)
Conch Cement	36.78% (Note: excluding 5.41% equity interest (being Conch Cement A-Shares) which was held by CV Investment directly)
Conch Profiles	32.07%
Wuhu Conch Hotel	100%
Yingde Conch Hotel	75% (and as to the remaining 25% being held by Wuhu Conch Hotel, a direct wholly owned subsidiary of Conch Holdings)
Conch Design Institute	100%
Conch IT Engineering	100% (being held by Conch Design Institute, a direct wholly owned subsidiary of Conch Holdings)

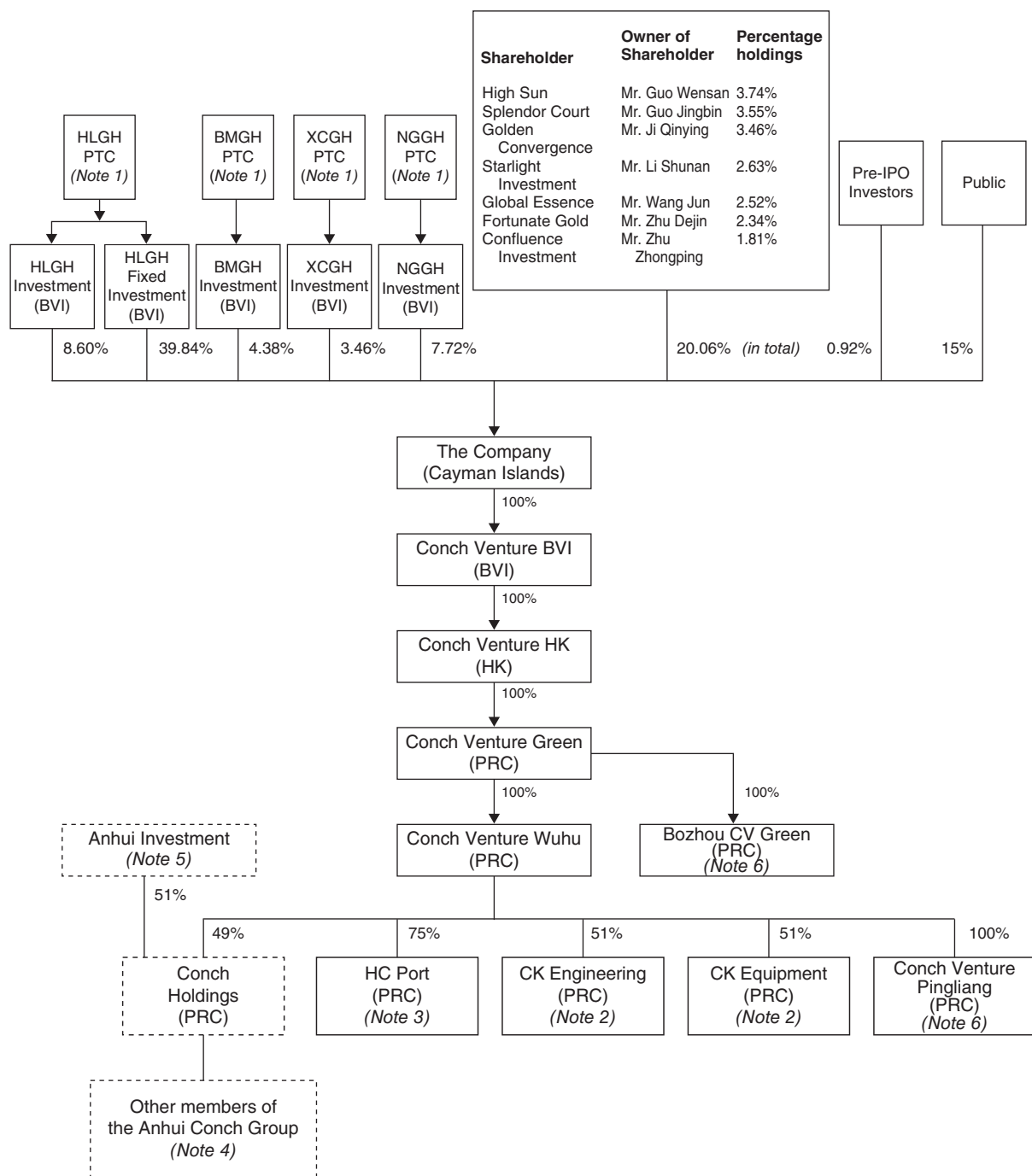
5. Anhui Investment is a stated-owned enterprise under the auspices of Anhui SASAC, and it is not a member of our Group.

6. Bozhou CV Green was established on August 27, 2013.

7. Conch Venture Pingliang was established on September 23, 2013.

HISTORY, DEVELOPMENT AND REORGANIZATION

The following shows the shareholding structure of our Group immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised at all):



Note: Please refer to the notes set out in the immediately preceding page.

OVERVIEW

We are an investment holding company and a large integrated provider of energy preservation and environmental protection solutions, with a plan on diversifying our solutions by offering green building materials, an alternative building materials with energy preservation and environment-friendly features. During the Track Record Period, we recorded significant profit from our investment in Conch Holdings, the largest shareholder of two leading building materials companies, namely Conch Cement and Conch Profiles. During the Track Record Period, we recorded turnover of over RMB1,000 million for each financial year, which was attributable to our operations. More than 70% of our turnover were generated from the provision of residual heat power generation solutions, and the primary focus of our energy preservation and environmental protection solutions was the cement industry. We are the second largest provider of residual heat power generation solutions for cement producers in China with a market share of 21.0% in terms of sales volume in 2012 according to the Roland Berger Report, while the market for residual heat power generation solutions for cement producers in China accounted for approximately 69.7% of the total residual heat power generation solutions market for Chinese providers. Our ability to provide customized energy preservation and environmental protection solutions supported by leading building materials companies such as Conch Cement in our investment portfolio ensures a sustainable growth.

We generated a substantial portion of our turnover through residual heat power generation and waste incineration projects under EP, EPC and BT arrangements during the Track Record Period. We are the second largest provider of residual heat power generation solutions and one of the few companies in China that is capable of providing highly customized residual heat power generation solutions from initial design to construction using proprietary technologies and self-produced core equipment. We also offer innovative waste incineration solutions that effectively resolve the dioxin and heavy metal issues, two major sources of secondary pollution from conventional waste incinerators. In addition, we offer vertical mills that facilitate cement producers to enhance their production efficiency, preserve energy and reduce emissions in their production process. Meanwhile, we are also engaged in the port logistics business and own and operate the Yangzhou Haichang Port, which is strategically located approximately 200 kilometers away from the Yangtze River estuary and has an annual dry bulk cargo handling capacity of approximately 20 million tonnes. We believe that the strategic location of our Yangzhou Haichang Port and cooperation with our customers provides us with steady and sustainable profits.

The robust demands for our solutions have been driven by strong government support, as well as customer demands, for high-efficiency and cost-competitive energy preservation and environmental protection solutions. The PRC Government is increasingly focused on energy preservation and environmental protection, as evidenced by the promulgation of several policies and promotion measures in recent years. Meanwhile, demand for waste incineration is also growing in smaller cities in China in view of the rising public awareness on environmental protection issues. High electricity cost and restrictions of electricity usage also incentivize energy consuming industrial companies, in particular, cement, steel, glass and chemical companies, to employ residual heat power generation solutions.

We plan to expand into green building materials business to diversify our portfolio of energy preservation and environmental protection solutions. Given the unique characteristics of CCA boards, promulgation of PRC national standards for the production and application of CCA boards and wood wool cement boards, and introduction of favourable government policies, it is expected that the use of CCA boards and wood wool cement boards as wall building materials will increase significantly. According to the Roland Berger Report, the market demand for building panels in China amounted to RMB292.8 billion at the end of 2017. The current focus of our green building materials business is on developing alternative wall building materials, and

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the primary products we plan to produce are CCA boards and wood wool cement boards, both of which are environment-friendly and cost-efficient alternatives to traditional wall building materials. Currently, we plan to establish large scale production facilities for our green building materials in Wuhu, Anhui Province and Bozhou, Anhui Province, using advanced production equipment and techniques we plan to procure from Europe. As of the Latest Practicable date, we have executed the land acquisition contract and made the payment for the land for our production facilities in Bozhou, Anhui Province, and we have executed an investment agreement with the local government of Wuhu, Anhui Province and are in the process of negotiating the terms of the land acquisition contract. We are also in the process of negotiating with potential partners to form a strategic alliance for the production and sales of green building materials. We have also commenced the construction work for our Bozhou production plant. We plan to commence trial production of CCA boards at two of our production lines with an aggregate designed capacity of 16.0 million square meters per annum at Bozhou in September 2014, and two of our production lines at Wuhu with an aggregate designed capacity of 16.0 million square meters per annum by the end of 2014. Furthermore, we plan to commence trial production of CCA boards at two additional production lines at Wuhu with an aggregate designed capacity of 16.0 million square meters per annum in 2016. Meanwhile, we expect to commence commercial production of wood wool cement boards with a total of four production lines and an aggregate designed capacity of 600,000 cubic meters per annum by 2015.

OUR INVESTMENT HOLDING

Our investment in Conch Holdings ensures our sustainable growth and provide synergies to our operations. Conch Holdings is treated as our associate, and we have no control over the businesses, operations or financial policies of Conch Holdings, Conch Cement and Conch Profiles. Conch Cement is one of the largest cement producer in the world in terms of production capacity with its shares listed on the Stock Exchange and Shanghai Stock Exchange. Conch Profiles is one of the largest manufacturer of PVC profile and related products in China in terms of sales amount with its shares listed on the Shenzhen Stock Exchange. During the Track Record Period, we accounted for our investment in Conch Holdings under equity method. In 2010, 2011, 2012 and the six months ended June 30, 2013, we recorded share of profit of an associate of RMB1,112.6 million, RMB2,062.9 million, RMB1,176.2 million and RMB547.4 million, respectively. Considering that the investment in Conch Holdings had always formed part of the assets of CV Investment and the stable source of earnings that Conch Holdings could provide to us, we included the investment in Conch Holdings as part of our assets during the Reorganization.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

Large integrated provider of energy preservation and environmental protection solutions enjoying sustainable growth

We are a large integrated provider of energy preservation and environmental protection solutions with a current focus on residual heat power generation solutions and waste incineration solutions. We are one of the few companies in China that are capable of providing highly customised residual heat power generation solutions from initial design to construction using our proprietary technologies and self-produced core equipment. We are also the second largest provider of residual heat power generation solutions for cement producers in China with a market share of 21.0% in terms of sales volume in 2012 according to the Roland Berger

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Report, while the market for residual heat power generation solutions for cement producers in China accounted for approximately 69.7% of the total residual heat power generation solutions market for Chinese providers.

We are the pioneer in cement kilns waste incineration solutions that effectively resolve the dioxin and heavy metal issues, two major environmental concerns surrounding conventional waste incinerators. Our current focus for waste incineration solutions is on domestic waste and sludge in the cities. Our proprietary waste incineration solutions utilize gasification furnace and existing cement plants to incinerate domestic waste and effectively eliminate dioxin from the incineration. Our waste incineration solutions also separate the heavy metals from the residual waste. By utilizing the existing cement plants, the space and capital investment required for our waste incineration solutions are substantially lower as compared with building an ordinary waste incineration facility. As a result, we believe that our waste incineration solutions have a strong growth potential in China. In particular, as of October 31, 2013, we had four waste incineration projects under construction and one waste incineration project that was contracted we are in the process of negotiating for cement kilns waste incineration projects for eight cement plants in Southwestern and Northwestern China. Our extensive knowledge and industry experiences also enable us to customize our waste incineration solutions to address our clients' specific needs. In order to diversify our range of waste incineration solutions on offer, we also plan to offer grate incinerators that can function independently of cement plants starting in 2014.

In addition to our energy preservation and environmental protection solutions, our investment in Conch Holdings, which controls two leading building materials companies, namely Conch Cement and Conch Profiles, ensure our sustainable growth and provide synergies to our operating subsidiaries. Conch Cement is one of the largest cement producers in the world in terms of production capacity, and its shares are listed on the Stock Exchange and Shanghai Stock Exchange. As of June 30, 2013, Conch Cement had a clinker production capacity of 188.8 million tonnes and cement production capacity of 219.1 million tonnes. Conch Profiles is the largest manufacturer of PVC profile and related products in China in terms of sales amount with its shares listed on the Shenzhen Stock Exchange. As of June 30, 2013, Conch Profiles had an annual PVC profile production capacity of 700,000 tonnes. Meanwhile, we are also engaged in the port logistics business and own and operate the Yangzhou Haichang Port, which is strategically located approximately 200 kilometers away from the Yangtze River estuary and has an annual dry bulk cargo handling capacity of approximately 20 million tonnes. As the last inland port along Yangtze River accessible for vessels with more than 50,000 tonnes of capacity, Yangzhou Haichang Port benefits from the strong demand for transshipping services from its catchment area, namely the Yangtze River Delta. We believe that the strategic location of our Yangzhou Haichang Port and cooperation with our customers provides us with steady and sustainable profits.

Robust demands for our energy preservation and environmental protection solutions

The robust demands for our solutions have been driven by strong government support, as well as customer demands, for high-efficiency and cost-competitive energy preservation and environmental protection solutions. The PRC government is increasingly focused on energy preservation and environmental protection, as evidenced by the promulgation of several policies and promotion measures in recent years. For example, the technical guide for domestic waste treatment issued by the NDRC, the Ministry of Housing and Rural-Urban Development and the Ministry of Environmental Protection in 2010, the Catalogue for Guiding Industrial Restructuring (2011) issued by the NDRC and the 12th Five Year Plan of the PRC for domestic waste treatment facilities all encouraged the use of cement kilns to facilitate the treatment of domestic waste and sludge. The 12th Five Year Plan of the PRC specifically called for an increase in treatment capacity for domestic waste throughout China to increase the use of waste incineration facilities. Meanwhile, the demand for waste incineration is also growing in smaller

cities in China in view of the rising public awareness on environmental protection issues. High electricity cost and restrictions of electricity usage also incentivize industrial companies with high energy consumption, particularly, cement, steel, glass and chemicals companies, to employ residual heat power generation solutions. According to the Roland Berger Report, the market for residual heat power generation solutions is expected to peak at RMB18.0 billion in 2016 and remained stable at RMB17.0 billion in 2017. In particular, the demand for residual heat power generation solutions is expected to have a stronger growth in the steel industry. In addition, the demand for residual heat power generation solutions outside of China is also expected to increase significantly. According to the Roland Berger Report, the market for residual heat power generation solutions for cement companies outside of China is expected to grow at a CAGR of 27.9% from RMB1.9 billion in 2012 to RMB6.5 billion in 2017.

As a market leader of residual heat power generation solutions, we believe that our extensive technical and industry experiences and proven track record in providing one-stop solutions combined with our proprietary technologies position us well to capture the growing demand for residual heat power generation solutions and waste incineration solutions.

Technological leadership and strong research and development capabilities

Our dedication in residual heat power generation solutions began in 1997, and we have since then accumulated substantial experiences. Our cooperation with Kawasaki Group, a leading global industrial conglomerate through which we form CK Engineering and CK Equipment, two of our major operating subsidiaries, also facilitate the development and refinement of our proprietary residual heat power generation and waste incineration solutions. Our long-term collaborative relationship with Kawasaki Group also provides a solid foundation for future cooperation on research and development for proprietary technologies.

We have established an effective research and development platform that enhances our ability to offer innovative and effective solutions to meet evolving market demands. Through our research and development efforts, we have developed a large portfolio of proprietary technologies. Our residual heat power generation solutions that utilize our patented boiler design are distinguished by high heat-electricity conversion ratio, superior operational stability and minimum maintenance costs, all of which ensure optimal operational and cost efficiency. Meanwhile, we are the first in the world to offer innovative waste incineration systems that utilize cement kilns to neutralize hazardous substances, primarily dioxins, in gaseous emissions from incineration, according to the Roland Berger Report. Our innovative cement kiln waste incineration solutions are capable of effectively resolving the dioxin and heavy metal issues, two major source of secondary pollution from conventional waste incinerators. Our proprietary gasification furnaces used in our waste incineration solutions can be applied to domestic waste as well as sludge. For small- to mid-sized cities or communities in remote areas in China that have limited access to large-sized cement plants, we have developed waste incineration solutions applying grate incinerators that function without cement plants as an efficient alternative to traditional incineration technology of domestic waste and sludge. Our proprietary grate incinerators are capable of incinerating unsorted domestic waste and sludge from the cities, thereby substantially reducing the operating costs of the waste incineration plant utilizing our grate incinerators. We are capable of integrating more than one of our grate incinerators to cater to the specific demand of our clients. These solutions are particularly attractive to small- to mid-sized cities or communities in remote areas in China that have limited access to large-sized cement plants. These proprietary technologies differentiate our products from competitors' in terms of performance and operating costs and demonstrate our technological leadership and expertise.

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We have received various recognitions from government authorities and international organizations, including the High and New Technology Enterprise certificate in 2008 and Blue Sky Nominee Award from the United Nations for our waste incineration projects in 2009. Our proprietary residual heat power generation system also received the Anhui Province First Class Science and Technology Award in 2010. As of June 30, 2013, our R&D team consisted of 57 members, including nine members from Japan. In addition, as of June 30, 2013, we had received a total of 54 patents in China, and had 13 pending patent applications in China.

Early mover in the green building materials market with significant growth prospect

We plan to expand into the green building materials business in the near future to diversify our portfolio of energy preservation and environmental protection solutions. The current focus of our green building materials business is on alternative wall building materials, and the primary products we plan to produce are CCA boards and wood wool cement boards, both of which are environment-friendly and cost-efficient alternatives to traditional wall building materials. We believe we will be the first company to produce and offer CCA boards and wood wool cement boards on a large scale in China. Currently, we plan to establish large scale production facilities for our green building materials in Wuhu, Anhui Province and Bozhou, Anhui Province, using advanced production equipment and techniques we plan to procure from Europe. As of the Latest Practicable date, we have executed the land acquisition contract and made the payment for the land for our production facilities in Bozhou, Anhui Province, and we have executed an investment agreement with the local government of Wuhu, Anhui Province and are in the process of negotiating the terms of the land acquisition. We are also in the process of negotiating with potential partners to form a strategic alliance for the production and sales of green building materials. We have also commenced the construction work for our Bozhou production plant. We plan to commence trial production of CCA boards at two of our production lines with an aggregate designed capacity of 16.0 million square meters per annum at Bozhou in September 2014, and two of our production lines at Wuhu with an aggregate designed capacity of 16.0 million square meters per annum by the end of 2014. Furthermore, we plan to commence trial production of CCA boards at two additional production lines at Wuhu with an aggregate designed capacity of 16.0 million square meters per annum in 2016. Meanwhile, we expect to commence commercial production of wood wool cement boards with a total of four production lines and an aggregate designed capacity of 600,000 cubic meters per annum by mid-2015. In addition, we plan to establish additional production facilities in Northern and Northwestern China.

Dedicated and highly experienced management team

The quality and stability of our senior management is one of the key factors driving our success. Our experienced management team comprises industry leaders and experts and has spearheaded our development in the past. Members of our senior management team have over 15 years of experience in their respective industries. In addition, before joining our company, a number of our senior management team have served various managerial positions in Conch Holdings and its associates, including Conch Cement and Conch Profiles, and have been instrumental in the development of Conch Holdings. For example, Mr. Guo Jingbin, our chairman of the board of director, worked for Conch Holdings for over 30 years, including serving as Conch Cement's executive director since 1997. Mr. Guo has extensive knowledge and experiences in energy preservation solutions and building materials industries. Mr. Ji Qinying, our executive director, also has over 30 years of experiences in energy preservation solutions and building materials industries. Through their collective experience and proven track record within Conch Holdings, these members of our senior management team have established cooperative relationships with various local governments, and accumulated deep knowledge of the building material industry and its suppliers, customers and other participants. We believe that the expertise and knowledge our management team acquired from their services in Conch

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Holdings and its investees provide us with a solid basis to strengthen our position in energy preservation and environmental protection solution space and to jumpstart our green building materials business.

OUR STRATEGIES

We plan to further diversify our suite of energy preservation and environmental protection solutions and strengthen our solutions on offer. We aim to strengthen our leading position as an integrated provider of energy preservation and environmental protection solutions by implementing the following strategies:

Accelerate the development of our green building materials business

We plan to further develop our green building materials business to capitalize on the growing demand for green building materials, particularly the CCA board and wood wool cement board. In particular, we plan to implement the following strategies:

- Continue to devote financial and other resources to ensure timely commencement of the commercial production at our green building materials production facilities in Wuhu, Anhui Province and Bozhou, Anhui Province. Please refer to “— Our Future Green Building Materials Business Plan” in this section and the section headed “Future Plans and Use of Proceeds” in this prospectus for details of our investment plan.
- Establish additional production facilities with convenient access to end markets. In that regard, we plan to establish production facilities in each of the geographic regions in China to serve the various end-markets throughout the country.
- Establish market presence in geographic areas surrounding our production facilities targeting primarily large-scale real estate developers and constructors as well as other retail customers.
- Promote the use of green building materials through various demonstration projects throughout China.
- Leverage the customer base of Conch Cement and Conch Profiles to cross sell our green building materials.
- Enhance our product offering and further tailor our CCA board and wood wool cement board to suit the need of the Chinese market.
- Explore additional green building materials to diversify our product offerings.

Expand and further develop the end markets of our waste incineration solutions

We plan to implement the following strategies to enhance our market position of waste incineration solutions:

- Promote our cement kilns waste incineration solutions and focus on cement companies and plants and small- to mid-sized cities and communities throughout China. In particular, we are in the process of negotiating for waste incineration projects for eight cement plants in Southwestern and Northwestern China. We aim to prioritize our resources for these projects.

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- Increase our market share by offering various types of business arrangements for waste incineration projects. In particular, in view of the recent economic condition in China, we aim to increase the use of BOT arrangements that involve higher capital investment by us during the construction stage and higher profits subsequently.
- Devote additional resources on research and development to diversify our range of waste incineration solutions on offer, including grate incinerators for small- to mid-sized cities and communities with limited access to cement plants.

Strengthen our leading market position and expand end applications of our residual heat power generation solutions

We plan to implement the following strategies to strengthen our leading market position for residual heat power generation solutions and expand their end applications:

- Devote additional resources on research and development to further customize and enhance our residual heat power generation solutions to cater to different requirement from a broader range of industries, including steel, glass and chemicals industries.
- Further expand the end-markets of our residual heat generation solutions to glass and chemicals industries.
- Attract cement companies in China that have not installed residual heat power generation systems to further increase our market shares.
- Capture growing demand for residual heat power generation solutions from overseas markets.

Complement our operations with selected and prudent acquisitions

We intend to supplement our organic growth with strategic acquisitions of businesses and technologies that we believe will complement our current operations and accelerate our expansion plans. When evaluating acquisition targets, we primarily take into account expected synergies with the business of the target, the barriers to entry into the business of the target, proprietary technologies of the target, the potential of integrating the operations of the target and the proposed purchase price. We believe that our relationships with industry participants and our knowledge of, and operational expertise in, the energy preservation and environmental protection industry and building materials industry in China will assist us in identifying and completing attractive acquisitions. As of the Latest Practicable Date, we had not entered into any letter of intent or agreement for such acquisition nor identified any definite acquisition target.

OUR INVESTMENT HOLDINGS, SOLUTIONS, PRODUCTS AND SERVICES

Currently, we offer integrated energy preservation and environmental protection solutions including residual heat power generation and waste incineration. We also own and operate a port and provide port logistics services. In addition, we hold a 49% equity interest in Conch Holdings, which is the largest shareholder of Conch Cement and Conch Profiles, two leading building materials providers.

Investment Holding

We hold a 49% equity interest in Conch Holdings, a leading industrial conglomerate focusing on building materials. Conch Holdings is the largest shareholder of Conch Cement and Conch Profiles, both of which are leading building materials providers in China. Conch Holdings is considered our associate, and we have no control over its business, operations or financial policies. Other business operations of Conch Holdings include engineering services for cement companies and two hotels. In 2010, 2011 and the six months ended June 30, 2013, Conch Holdings (on a standalone basis) and its engineering services and hotel operations generated a net loss attributable to Conch Holdings of RMB16.1 million, RMB25.8 million and RMB32.1 million respectively, while Conch Holdings (on a standalone basis) and its engineering services and hotel operations generated a net profit attributable to Conch Holdings of RMB8.7 million in 2012, representing 0.7% of Conch Holdings' consolidated net profit.

Conch Cement

Conch Cement was founded in September 1997 and listed on the Stock Exchange in October 1997 and the Shanghai Stock Exchange in February 2002. Conch Cement is mainly engaged in the production and sales of cement and commodity clinker, and is one of the largest cement producers in the world in terms of production capacity.

Conch Cement currently has five production bases with clinker production capacities of over ten million tonnes per annum in Tongling, Anhui Province, Yingde, Guangdong Province, Chizhou, Anhui Province, Zongyang, Anhui Province and Wuhu, Anhui Province. Conch Cement is also in the process of constructing three state of the art clinker production lines with production capacity of 12,000 tonnes per day in Wuhu, Anhui Province and Tongling, Anhui Province. Conch Cement has adopted a new advanced dry-process cement production technique in all of its production lines, which are distinguished by their high production capacity, low energy consumption, high degree of automation, high labour productivity and environment-friendly nature. Meanwhile, in 2012, nine clinker production lines and their ancillary residual heat power generation systems, as well as 19 cement grinding units were completed and put into operation. In the six months ended June 30, 2013, another three clinker production lines were completed and put into production. Furthermore, construction of Conch Cement's first overseas cement project in South Kalimantan, Indonesia, commenced in the end of 2012 and was in smooth progress.

The high-grade cement and commodity clinker sold under the "CONCH" brand are Conch Cement's primary products. The brand "CONCH" is also recognized as a well-known trademark by the State Trademark Office. "CONCH" branded cement is approved as an inspection-free product by the General Administration of Quality Supervision, Inspection and Quarantine, and has been applied in a number of landmark projects, such as the Beijing-Shanghai High-Speed Railway, Hangzhou Bay Cross-sea Bridge and Meanwhile, these products are exported to more than 20 countries and regions in the Americas, Europe, Africa, and Asia. Relying on advanced technology, excellent quality, superior service, extensive sales network, strong manufacturing and supply capacity, as well as professional technical support, Conch Cement has achieved the management tenet of "Top Quality and Sincere Service".

As of December 31, 2012, Conch Cement's clinker production capacity and cement production capacity amounted to 184 million tonnes and 209 million tonnes, respectively, with a total residual heat power generating capacity of 881 MW. As of June 30, 2013, Conch Cement's clinker production capacity and cement production capacity amounted to 189.4 million tonnes and 221.1 million tonnes, respectively, with a total residual heat power generating capacity of 899 MW. In 2012, Conch Cement produced an aggregate of 154 million tonnes of clinker and 149 million tonnes of cement. For the six months ended June 30, 2013, Conch Cement

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produced an aggregate of 82.5 million tonnes of clinker and 80.8 million tonnes of cement. See “Financial Information — Conch Cement’s Results of Operations and Financial Condition” for further details.

The following table sets forth a summary, for the periods indicated, of the consolidated results of operations of Conch Cement prepared under the IFRS. Conch Cement’s historical results presented below are not necessarily indicative of the results that may be expected for any future period. Furthermore, we have no control over Conch Cement’s business operations or financial policies.

	Year Ended December 31						Six Months Ended June 30				Nine Months Ended September 30			
	2010		2011		2012		2012		2013		2012		2013	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)													
Turnover	34,508	100.0	48,654	100.0	45,766	100.0	20,559	100.0	23,587	100.0	32,247	100.0	37,008	100.0
Gross profit	10,942	31.7	19,177	39.4	12,501	27.3	5,456	26.5	6,564	27.8	8,094	25.1	10,954	29.6
Profit from operations . . .	8,599	24.9	16,547	34.0	9,284	20.3	4,204	20.4	4,718	20.0	5,900	18.3	8,197	22.1
Profit for the year/period .	6,342	18.4	11,819	24.3	6,486	14.2	2,986	14.5	3,170	13.4	4,037	12.5	5,650	15.2
Attributable to:														
Equity shareholders														
of the Company	6,160		11,586		6,331		2,933		3,060		3,958		5,393	
Non-controlling interests	182		233		155		53		110		79		257	

Note: The financial information of Conch Cement for 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013 has been extracted from its annual and interim report published on the website of the Stock Exchange. We do not have control over the business, operations or financial condition of Conch Cement, and the following analysis and discussion represents the view of the directors and senior management of Conch Cement. Conch Cement’s financial information for 2010, 2011 and 2012 has been audited by its auditor. Conch Cement’s financial information for the six months ended June 30, 2012 and 2013 has not been audited or reviewed by its auditor. Conch Cement’s financial information for the nine months ended September 30, 2013 has been reviewed by the auditor in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants.

Encountering the adverse impact of the decelerating growth in general economy and the slowdown in the growth of cement market demand starting in 2012, Conch Cement responded to the intense competition in the cement market by (i) adjusting its marketing strategies according to various regional market conditions and market changes at different times to increase market shares; (ii) leveraging its competitive edge in bulk procurement of raw materials and fuel and capturing the opportunities arising from the decrease in coal price to lower the procurement costs; (iii) strengthening internal control system to control operating costs; and (iv) enhancing its competitiveness in respect of production, supply and sales. As a result, despite the overall market condition, Conch Cement achieved relatively satisfactory operating results as compared to other market players in 2012 and the six months ended June 30, 2013. In particular, Conch Cement’s sales continued to experience strong growth in Central and Western China. For the nine months ended September 30, 2013, the growth in Conch Cement’s turnover, gross profit, profit from operations and profit for the period as compared with the nine months ended September 30, 2012 was primarily the result of increases in sales volume of cement.

Currently, the board of directors of Conch Cement comprises of chairman Mr. Guo Wensan, executive directors Mr. Guo Jingbin, Ms. Zhang Mingjing and Mr. Zhou Bo and independent non-executive directors Mr. Fang Junwen, Mr. Wong Kun Kau and Mr. Tai Kwok Leung, and the supervisory committee comprised of supervisors Mr. Wang Jun, Mr. Ding Feng and Mr. Zhu Yuming. As of June 30, 2013, Conch Cement had a total of 132,341 shareholders,

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130 of which were registered holders of H Shares (including HKSCC Nominees Limited). Set forth below are the top ten registered shareholders of Conch Cement as of June 30, 2013 (which is prepared based on the 2013 interim report of Conch Cement):

Name of shareholder	Nature of shareholder	Number of shares held (share)	Percentage of shareholding (%)	Class of shares
1. Conch Holdings	State-owned legal person	1,918,329,108	36.20	A Share
2. HKSCC Nominees Limited ⁽¹⁾	Foreign legal person	1,297,698,878	24.49	H Share
3. Conch Venture	Domestic non-state- owned legal person	286,713,246	5.41	A Share
4. China Ping An Trust & Investment Co., Ltd. — Conch Equity Interest	Domestic non-state- owned legal person	37,790,167	0.71	A Share
5. Boser Value Growth Securities Investment Fund	Others	29,669,662	0.56	A Share
6. Conch Design Institute	State-owned legal person	28,953,736	0.55	A Share
7. China Construction Bank — Penghua Value Advantage Equity Securities Investment Fund	Others	27,778,798	0.52	A Share
8. DEUTSCHE BANK AKTIENGESELLSCHAFT	Others	22,385,746	0.42	A Share
9. International Capital Corporation — Standard Chartered — GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE LTD	Others	21,217,725	0.40	A Share
10. The Industrial and Commercial Bank of China — Shanghai Stock Exchange 50 Trading Open-end Index Securities Investment Fund	Others	19,921,715	0.38	A Share

Note:

- (1) HKSCC Nominees Limited held 1,297,698,878 H Shares, representing 24.49% of the total share capital of the Company, and 99.85% of the issued H share capital of the Company. These shares were held on behalf of various clients.

Conch Profiles

Conch Profiles was founded in October 1996 and listed on Shenzhen Stock Exchange in May 2000. Conch Profiles is mainly engaged in the production and sales of PVC profile products and is the largest provider of PVC profile and related products in China in terms of sales amount. PVC is the third-most widely produced plastic, after polyethylene and polypropylene. PVC is used in construction because it is more effective than traditional materials such as copper, iron or wood in pipe and profile applications. Conch Profiles' primary products are PVC profile, which are mainly used as window and door frames.

Currently, Conch Profiles owned seven production bases in Wuhu, Anhui Province, Tangshan, Hebei Province, Yingde, Guangdong Province, Ningbo, Zhejiang Province, Chengdu, Sichuan Province, Dongying, Shandong Province and Urumqi, Xinjiang Autonomous Region. Conch Profiles adopt state of the art automated production equipment procured from Europe in all of its production bases. Conch Profiles' primary products include 11 series of plastic profiles

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for doors and windows. The major attributes of PVC door and window frames include excellent thermal resistance, good durability, low maintenance and low cost, and is therefore a highly popular window frame materials with a leading market share.

As of December 31, 2012, Conch Profiles' PVC profile production capacity amounted to 660,000 tonnes. As of June 30, 2013, Conch Profiles' PVC profile production capacity amounted to 700,000 tonnes. In 2012 and the six months ended June 30, 2013, Conch Profiles produced an aggregate of 504,500 tonnes and 233,600 tonnes, respectively, of PVC profile products.

The following table sets forth a summary, for the periods indicated, of the consolidated results of operations of Conch Profiles prepared under the PRC GAAP. Conch Profiles' historical results presented below are not necessarily indicative of the results that may be expected for any future period. Furthermore, we have no control over Conch Profiles' business operations or financial policies.

	Year Ended December 31,						Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)									
Turnover	3,963	100.0	4,073	100.0	4,196	100.0	1,974	100.0	1,881	100.0
Gross profit	433	10.9	366	9.0	589	14.0	277	14.0	261	13.9
Profit from operations	195	4.9	96	2.4	245	5.8	108	5.5	93	4.9
Profit for the year/period	184	4.6	116	2.8	232	5.5	102	5.2	75	4.0
Attributable to:										
Equity shareholders of the Company	163		89		202		91		65	
Non-controlling interests	21		27		30		11		10	

Note: The financial information of Conch Profiles for 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013 has been extracted from its annual and interim report published on the website of the Shenzhen Stock Exchange.

Currently, the board of directors of Conch Profiles comprises of chairman Mr. Ren Yong, directors Mr. Qi Shengli, Mr. Wang Pengfei, Mr. Wang Jibin, Mr. Wang Yanglin and Mr. Luo Ping and independent non-executive directors Mr. Xiang Shian, Mr. Ding Meicai and Ms. Li Xiaoling, and the supervisory committee comprised of supervisors Mr. Wang Jun, Mr. Zhang Sheng and Mr. Tang Wenbo. Set forth below are the top ten registered shareholders of Conch Profiles as of June 30, 2013:

Name of shareholder	Nature of shareholder	Number of shares held	Percentage of shareholding
		(share)	(%)
1. Conch Holdings	State-owned legal person	115,445,455	32.07
2. Zhejiang Dunan Environment Co., Ltd.	Domestic non-state-owned legal person	33,954,545	9.43
3. Ningbo Daxie Development Zone Investment Holding Co., Ltd.	Domestic non-state-owned legal person	1,510,000	0.42
4. Li Zhenlong	Domestic individual	1,003,900	0.28
5. Li Jun	Domestic individual	1,000,000	0.28
6. Chen Wanqing	Domestic individual	900,000	0.25
7. Xu Dayu	Domestic individual	865,792	0.24
8. Chen Feiming	Domestic individual	781,500	0.22
9. Wei Yamin	Domestic individual	774,000	0.22
10. Shenzhen Guanyou Chemicals Co., Ltd.	Domestic non-state-owned legal person	749,700	0.21

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Equity transfer restrictions and dividend policies

Conch Holdings

Equity transfer restrictions

Under the articles of association of Conch Holdings, any shareholder who intends to transfer its equity interest in Conch Holdings to any third party must obtain consents of all other shareholders of Conch Holdings before the transfer. Any shareholder who disagrees with the transfer shall purchase such equity interest, and such shareholder will be deemed as agreeing with the transfer if it does not purchase the equity interest concerned within the prescribed time of offer. As a result, our Group shall obtain consent from the other shareholder of Conch Holdings for any transfer of shares in Conch Holdings. Save as the above, our Directors are of the view that there is no material restriction on the transfer of shares in Conch Holdings by our Group.

Dividend Policy

According to Interim Administrative Measures Concerning Profit Distribution of State-owned Enterprises in Anhui Province (安徽省省屬國有控股企業利潤分配管理暫行辦法) with effect from February 17, 2012, aggregate cash dividends distributed in the latest three years shall be in principle no less than 30% of the average net profits attributable to the parent company in the latest three years. Profit distribution proposal shall be subject to review by Anhui SASAC and approval from the board of directors and shareholders. In 2011 and 2012, Conch Holdings distributed dividends of RMB295.4 million and RMB192.2 million, respectively, on their earnings for 2010 and 2011, respectively, to CV Investment, the then equity holder of Conch Holdings. We did not receive any cash from these distributions. See “Combined statements of changes in equity” included in the Accountants’ Report set forth in Appendix I to this prospectus. No dividend was distributed by Conch Holdings during the six months ended June 30, 2013. In October 2013, Conch Holdings distributed dividends of RMB114.2 million to us on their earning for 2012.

Going forward, we intend to procure Conch Holdings to distribute its distributable earnings derived from its investee companies (including Conch Cement and Conch Profiles) to us at the largest extent every year. However, such distribution proposal is subject to review by Anhui SASAC and approval from the board of directors and shareholders of Conch Holdings, and we do not have control over such decision. Please see the paragraph headed “Risk factors — Risks relating to our business — Our results of operations are largely affected by the performance of certain associates of Conch Holdings, over which the business we do not have control as we only have a minority interest in those entities”.

Conch Cement

Equity transfer restrictions

According to Interim Administrative Measures for the Transfer of Shares of Listed Companies by State-owned Shareholders (國有股東轉讓所持上市公司股份管理暫行辦法), the transfer of the shares of a listed company through securities trading system or by agreement, free transfer and indirect transfer by state-owned shareholders shall be governed by these Measures. Where local state-owned or state-controlled enterprises do not own the controlling right of the listed company after the transfer of shares thereof, the state-owned assets supervision and administration authority at provincial level shall, after having been approved by the provincial government, report the transfer to the state-owned assets supervision and

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administration authority of the State Council for examination. Save as the above, our Directors are of the view that there is no material restriction on the transfer of Conch Cement A-Shares by Conch Holdings.

Due to the foreign exchange control in the PRC, Conch Holdings, which is not a Qualified Domestic Institutional Investor (QDII), is not allowed to directly invest nor trade Conch Cement H-Shares, and therefore Conch Holdings did not hold any Conch Cement H-Shares as of the Latest Practicable Date.

Dividend Policy

Conch Cement adopts cash dividend distribution as its main profit distribution policy. Cash dividends to be distributed by Conch Cement for any financial year shall not be less than 10% of the total distributable profit of the same financial year. Where Conch Cement realizes profit for any financial year, the board of directors shall examine and discuss specifically on the matters regarding the cash dividend distribution while taking into account the timing of cash dividend distribution, actual operation conditions and development, shareholders' requirements and preferences, external financing environment and other factors, provide detailed explanations regarding the cash dividend distribution arrangement and formulate profit distribution proposal.

According to Administrative Measures for Issue of Listed Securities (上市公司證券發行管理辦法) as amended by the Decision on Amendments to Certain Rules Regarding Cash Dividends of Listed Companies (關於修改上市公司現金分紅若干規定的決定) with effect from October 9, 2009, aggregate cash dividends distributed in the latest three years shall be in principle no less than 30% of the average distributable profits in the latest three years.

Conch Profiles

Equity transfer restrictions

According to Interim Administrative Measures for the Transfer of Shares of Listed Companies by State-owned Shareholders as mentioned above, the transfer of the shares of a listed company through securities trading system or by agreement, free transfer and indirect transfer by state-owned shareholders shall be governed by these Measures. Where local state-owned or state-controlled enterprises do not own the controlling right of the listed company after the transfer of shares thereof, the state-owned assets supervision and administration authority at provincial level shall, after having been approved by the provincial government, report the transfer to the state-owned assets supervision and administration authority of the State Council for examination. Save as the above, our Directors are of the view that there is no material restriction on the transfer of shares in Conch Profiles by Conch Holdings.

Dividend Policy

When distributing profit, Conch Profiles shall have regard to the importance of maintaining a reasonable return to investors as well as the sustainable development of Conch Profiles. Profit appropriation policy shall maintain continuity and stability. Profit distribution shall not exceed the aggregate distributable profit or undermine the sustainable operation of Conch Profiles. Conch Profiles may distribute dividends by way of cash or bonus shares (or by a combination of both). Conch Profiles may distribute interim cash dividends taking into account its profit and cashflow position. Where Conch Profiles realizes profit for any financial year, and having satisfied the normal operating cashflow needs and provided in full for statutory surplus reserve, it may adopt cash dividend distribution if there is no substantial investment plan or substantial cash expenditure plan etc. Cash dividends to be distributed by Conch Profiles for any financial year shall not be less than 10% of the total distributable profit of the same financial year.

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According to Administrative Measures for Issue of Listed Securities (as amended) as mentioned above with effect from October 9, 2009, aggregate cash dividends distributed in the latest three years shall be in principle no less than 30% of the average distributable profits in the latest three years.

Wuhu Conch Hotel, Yingde Conch Hotel, Conch Design Institute and Conch IT Engineering

Conch Holdings, being the direct sole shareholder of Wuhu Conch Hotel, Conch Design Institute and Conch IT Engineering and indirect sole shareholder of Yingde Conch Hotel, has an absolute discretion to declare any dividends for any year and, the amount of the dividends, if it decides to declare a dividend.

According to Anhui SOA Transfer Measures, any transfer of equity interest in Wuhu Conch Hotel, Yingde Conch Hotel, Conch Design Institute and Conch IT Engineering shall be subject to the approval from Anhui SASAC.

Save as disclosed above, (i) there is no material restriction on Wuhu Conch Hotel, Yingde Conch Hotel, Conch Design Institute and Conch IT Engineering paying dividends and making other distribution to Conch Holdings (or in the case of Yingde Conch Hotel, to Conch Holdings and Wuhu Conch Hotel); and (ii) there is no material restriction on transfers of equity interest in Wuhu Conch Hotel, Yingde Conch Hotel, Conch Design Institute and Conch IT Engineering under the applicable PRC laws and regulations.

Residual Heat Power Generation

Our residual heat power generation solutions enable industrial companies to convert the thermal energy from their high-temperature emission into electricity without incremental fuel. Our dedication in residual heat power generation solutions began in 1997, and we have since then accumulated substantial experiences. Currently, we are one of the few companies in China that are capable of providing an integrated solution to cement companies from initial design to construction of residual heat power generation projects using proprietary technologies and self-produced core equipment.

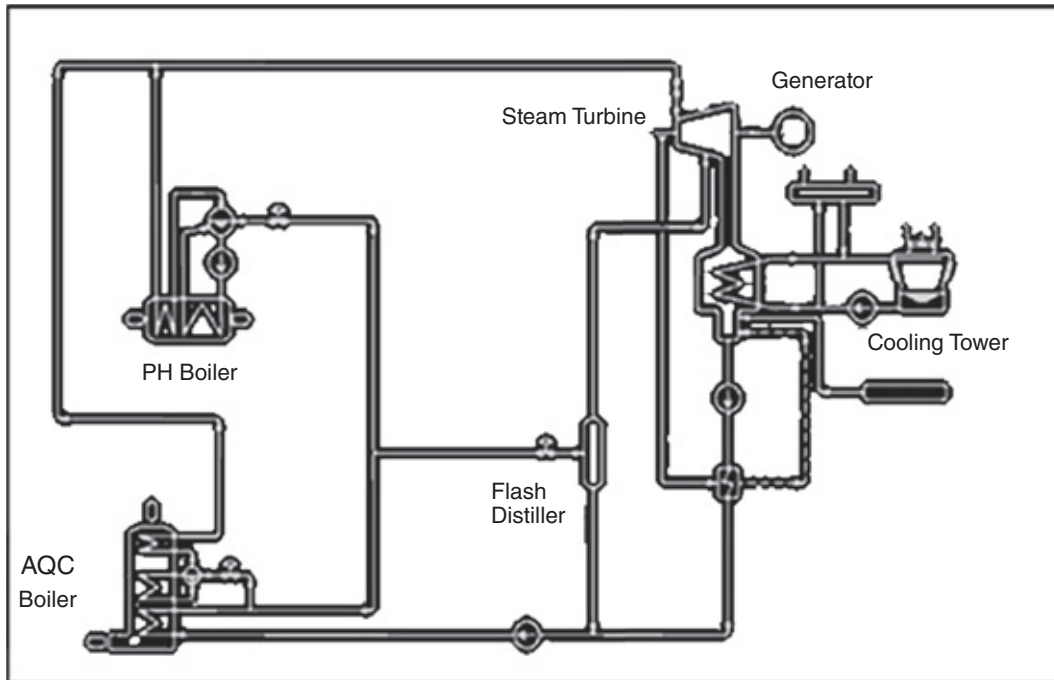
Our residual heat power generation solutions can be applied to a broad range of industries that produce high-temperature emission, including cement, steel, glass, chemicals and power plants, and we leverage on our substantial experiences to establish residual heat power generation projects through EP, EPC or BT arrangements with our customers. During the Track Record Period, our customers were primarily cement and steel companies, including the cement plants owned and operated by our associate Conch Cement. Set forth below is a summary of the capacity and contract price of our residual heat power generation projects we have completed, under construction and contracted since our inception and up to June 30, 2013.

	As of June 30, 2013					
	Completed Projects		Projects under Construction		Contracted Projects⁽¹⁾	
	Installed Capacity	Contract Price	Installed Capacity	Contract Price	Installed Capacity	Contract Price
	(MW)	(in RMB millions)	(MW)	(in RMB millions)	(MW)	(in RMB millions)
Cement Companies	1,640.7	7,786.3	156.4	911.6	211.9	976.0
Steel Companies	96.3	80.9	—	—	—	—
Total	<u>1,737.0</u>	<u>7,867.2</u>	<u>156.4</u>	<u>911.6</u>	<u>211.9</u>	<u>976.0</u>

⁽¹⁾ Construction not started yet.

Residual Heat Power Generation System

Our proprietary residual heat power generation system comprises a boiler, a steam turbine, a generator, a flash distiller, a water-cooling system and an electrical control system. We use the thermal energy from the residual heat and our patented boilers (including PH boilers to be installed at the inlet of the cement kiln and the AQC boilers to be installed at the outlet of the cement kiln) to produce steam that propels a steam turbine. The kinetic energy from the steam turbine is converted into electricity energy by the generator. Set forth below illustrates the operation of our residual heat generation systems:



Our residual heat power generation solutions that utilize our patented boiler design are distinguished by high heat-electricity conversion ratio, superior operational stability and minimum maintenance costs, all of which ensure optimal operational and cost efficiency. We employ our patented boilers to ensure an optimal heat-electricity conversion ratio, and the use of flash distiller to produce steam also help maintain a stable input of steam to propel the steam turbine and therefore maximizing the electricity output. Our patented boiler design also ensures a stable operation and minimal maintenance costs.

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Set forth below are pictures of major equipment used in our residual heat power generation projects:

PH boilers



AQC boilers



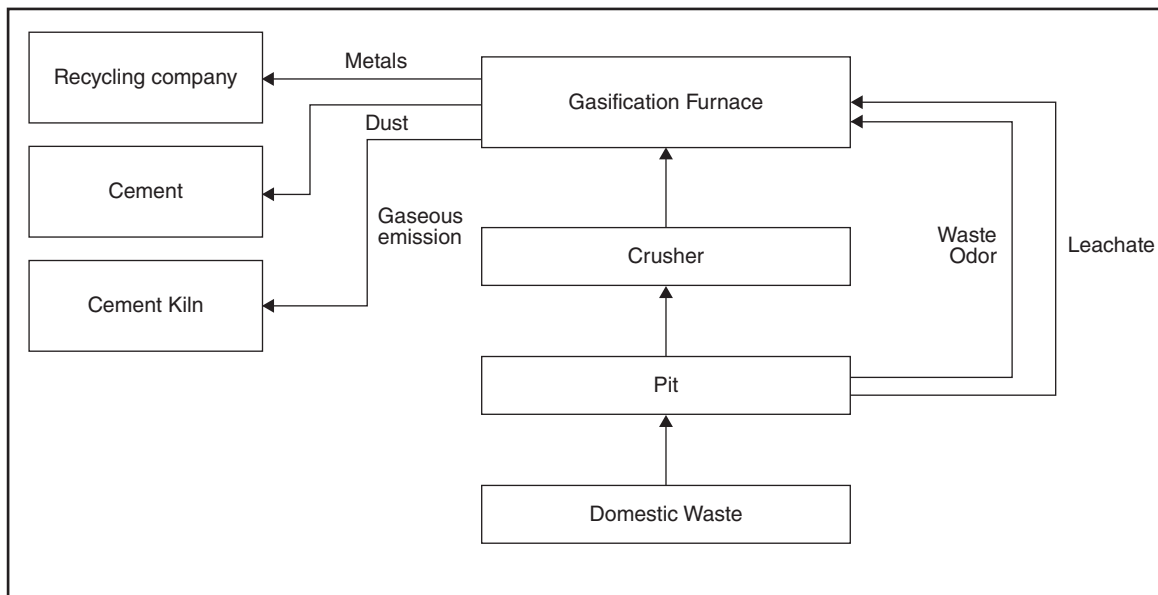
Waste Incineration

We are the first in the world to offer innovative waste incineration systems that utilize cement kilns to neutralize hazardous substances, primarily dioxins, in gaseous emissions from incineration, according to the Roland Berger Report. Our proprietary waste incineration solution resolves the dioxin and heavy metal issues, two major sources of secondary pollution from waste incineration. Our waste incineration system is also highly cost-efficient, as a portion of the thermal energy from incineration can fuel the cement kilns, and the residue are used as raw materials to produce cement. Meanwhile, the gaseous emissions are treated in the cement kilns, and our customers do not need to incur additional costs for the treatment of such gaseous emission. Furthermore, as our waste incineration solutions are built on existing cement plants, the space and capital investment required are substantially lower as compared with building a new waste incineration furnace. As a result, we believe that our waste incineration solutions have a strong market potential in China. We also plan to promote our grate incinerators in small- to mid-sized cities or communities in remote areas in China that have limited access to large-sized cement plants. For small- to mid-sized cities or communities in remote areas in China that have limited access to large-sized cement plants, we have developed waste incineration solutions applying grate incinerators that function without cement plants as an efficient alternative for incineration of domestic waste and sludge. Our proprietary grate incinerators are capable of incinerating unsorted domestic waste and sludge from the cities, thereby substantially reducing the operating costs of the waste incineration plant applying our grate incinerators. Our grate incinerator has lower incinerating capacity and we are capable of integrating more than one grate incinerator to cater to the specific demand of our clients. These solutions are particularly attractive to small- to mid-sized cities or communities in remote areas in China that have limited access to large-sized cement plants.

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Waste Incineration System

Our innovative waste incineration system utilizes a gasification furnace to incinerate the waste, a gaseous waste treatment system (working in conjunction with the cement kiln), a residual waste treatment system and a hazardous substances treatment system in addition to the existing cement kiln owned by our customer. As compared with traditional waste incineration systems that burn combustible wastes to fuel the cement kilns, we employ a separate gasification furnace for initial incineration, with the residual waste blended into the cement kilns. Our gasification furnace can incinerate combustible wastes as well as low heating value wastes with high water content, including sludge. As a result, the gasification furnace enables us to treat a wide range of domestic wastes and sludge, simplifies the incineration process and allows us to extract value from the residual wastes. The gaseous emissions produced by the gasification are diverted into the cement kiln, where the high temperature (over 1,400°C in cement kiln) eliminates all the hazardous substances, primarily dioxin, from the gases. The metals are separated from the residual wastes and can be sold to metal recycling companies, while the remaining residual wastes are blended in the cement kilns to produce cement. Set forth below illustrates the operation of our waste incineration systems:



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During the Track Record Period, we have completed two waste incineration projects in cement plants located in Anhui Province and Guizhou Province. As of October 31, 2013, we have four waste incineration projects under construction and one waste incineration project that was contracted. The total contract value of these projects is approximately RMB464 million. We expect to recognize revenue in connection with these projects in 2014 and 2015. In addition, we are in the process of negotiating for waste incineration projects for eight cement plants in Southwestern and Northwestern China. Set forth below is the summary of our completed projects:

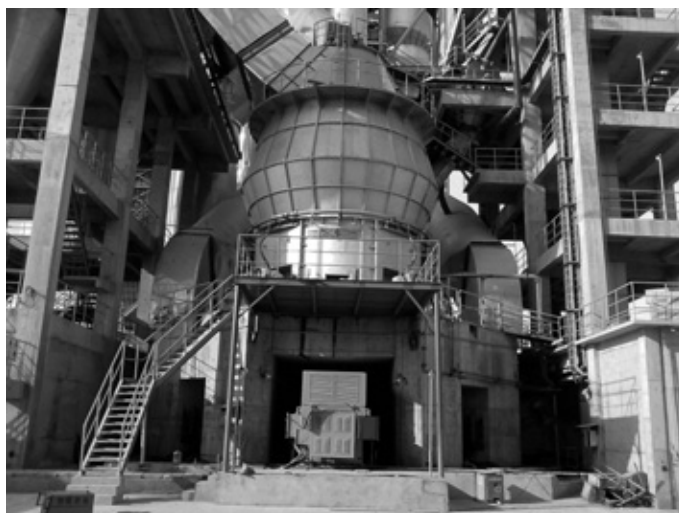
Project	Capacity of Associated Production Lines	Capacity	Contract Price	Beginning and Completion Date
	5,000 tonnes of clinker per day	300 tonnes per day	RMB113.5 million	Beginning: October 28, 2008 Completion: April 10, 2010
	5,000 tonnes of clinker per day	200 tonnes per day	RMB80.6 million	Beginning: December 16, 2011 Completion: November 23, 2012

Tongling, Anhui Province

Guiding, Guizhou Province

Other Energy Preservation and Environmental Protection Solutions

As part of our energy preservation and environmental protection solutions, we also offer vertical mills to cement companies. Vertical mill is a special type of cement mill used to grind the clinker from the cement kilns into cement. Commonly used cement mills include ball mills and vertical mills. Leveraging our substantial experience in the cement industry and the technological expertise of Kawasaki Group, we are able to optimise the design of vertical mills for production efficiency and energy preservation. The key features of our proprietary vertical mills include (i) High production capacity: our proprietary design ensures a more efficient grinding process and thereby improve the production output. (ii) Low energy consumption: our proprietary design lowers the requisite power for per unit of cement grinded, and our proprietary separator also enhances operational efficiency. The high production capacity also results in a lower energy consumption per unit of cement produced. (iii) Low vibration: our proprietary design reduces vibration during operation and therefore enhances operational stability and safety. (iv) Low maintenance and repairing cost: our proprietary design enables our maintenance staff to inspect, maintain and repair the vertical mills from outside of the casing and thereby simplifying the maintenance and repairing processes. (v) High durability: we employ resurfacing welding technique to extend the life of certain key parts in our vertical mills. As a result, our proprietary vertical mills are applied by cement companies as an energy preservation solution. Set forth below illustrates one of the types of vertical mills offered by us:



In 2010, 2011, 2012 and the six months ended June 30, 2013, turnover from the sales of vertical mills amounted to RMB366.6 million, RMB278.9 million, RMB157.9 million and RMB93.8 million, respectively, representing approximately 20.2%, 17.6%, 12.6% and 14.3% of our turnover for the respective periods. As the PRC Government has restricted the establishment of new cement production plants, we do not foresee the market for our vertical mills to be strong in the near future. As a result, we do not expect the sales of vertical mills to be a major contributor to our turnover going forward. We offer a range of vertical mills with different processing capacity, and selling price of our vertical mills is largely dependent on the processing capacity. In 2010, 2011, 2012 and the six months ended June 30, 2013, we sold 17, 13, 10 and 6 sets of vertical mills, respectively.

Port Logistics Services

We are also engaged in port logistics services and own and operate the Yangzhou Haichang Port, a well-equipped port alongside the Yangtze River in Yangzhou, Jiangsu Province. Our port logistics services bring in a steady source of profit that supplement our energy preservation and environmental protection solutions. We also envision to leverage the strategic location of Yangzhou Haichang Port to export our green building materials products in the future. We have appointed Mr. Wang Xuesen, our deputy general manager with extensive experiences in logistics services, to oversee the operation of Yangzhou Haichang Port. As the port logistics services are relatively localized and are distinct from our energy preservation and environmental protection solutions, we believe such appointment not only promotes the management and operational efficiency of our port logistics services but also allows other members of our senior management team to remain focused on our energy preservation and environmental protection solutions business. The Yangzhou Haichang Port sits approximately 200 km away from the Yangtze River estuary and has three berths to accommodate cargo vessels with 50,000 tonnes of capacity or smaller. The designed throughput capacity of the Yangzhou Haichang Port is approximately 20 million tonnes per annum, which can be further increased to up to 30 million tonnes per annum with additional equipment and facilities investments. We began our port logistics services in 2011, and focus on providing marine and inner-river transshipment services for dry bulk cargoes, primarily coal. As the last inland port along the Yangtze River accessible for vessels with more than 50,000 tonnes of capacity, the Yangzhou Haichang Port benefits from the strong demand for transshipping services from its catchment area, namely the Yangtze River Delta. In 2011, 2012 and the six months ended June 30, 2013, the throughput volume of the Yangzhou Haichang Port amounted to 3.0 million tonnes, 11.0 million tonnes and 8.9 million tonnes, respectively. We plan to further expand the capacity of the Yangzhou Haichang Port by (i) upgrading certain of our equipment and facility, including the belt conveyor and stocking yard, spraying system and bucket wheel excavator, and upgrade the third berth, by the end of 2013; (ii) acquiring additional equipment (including belt conveyor, portal crane and other ship loading machineries) at our main dock by the end of 2014; and (iii) upgrading the first berth at the inner bay by the end of 2015, subject to approval by the local government. After our expansion plan, we expect the throughput capacity of Yangzhou Haichang Port to reach approximately 30 million tonnes per annum and the revenue contribution from port logistics services to increase accordingly. The estimated investment amount is approximately RMB120 million, and we plan to fund the investment through the proceeds of the Global Offering.

Set forth below illustrates the facilities of our Yangzhou Haichang Port:



OUR FUTURE GREEN BUILDING MATERIALS BUSINESS PLAN

To diversify our portfolio of energy preservation and environmental protection solutions, we are expanding into the green building materials business. The current focus of our green building materials business is on alternative wall building materials, and the primary products we plan to produce are the CCA board and the wood wool cement board, both of which are environment-friendly and cost-efficient alternatives to traditional wall building.

CCA is a composite material made of sand, cement and cellulose fibres. The CCA board is light in weight, durable and highly resistant to fire and water, and is therefore widely used to cover the interior walls and ceilings of kitchens and bathrooms in China. The CCA board is also highly shock-resistant and make them the favored wall-building materials in areas with frequent-earthquake. Meanwhile, the CCA board is a cost efficient alternative to stone materials for covering exterior walls of buildings.

The wood wool cement board is made by using cement to bond wood wools cut from split logs of poplar, pine, spruce or eucalyptus. As a wall building material, wood wool cement board's major features include light-weight, fire resistance, wet and dry rot resistance, freeze-thaw resistance and superior thermal and sound insulation. In particular, wood wool cement board is the only type of wall building material that offers superior fire-resistance and thermal insulation.

Both CCA board and wood wool cement board are considered environment-friendly building material as they do not contain any VOCs or asbestos that are harmful to the health of residences. Meanwhile, both the CCA board and wood wool cement board are standardized and can be easily assembled or installed at the construction site. As a result, on site construction activities can be largely reduced through the use of the CCA board, which are highly encouraged by the government policy promoting industrialized construction.

We currently plan to establish large scale production facilities for our green building materials in Wuhu, Anhui Province and Bozhou, Anhui Province, using advanced production equipment and techniques we plan to procure from Europe. As of the Latest Practicable date, we have executed the land acquisition contract and made the payment for the land for our production facilities in Bozhou, Anhui Province, and we have executed an investment agreement with the local government of Wuhu, Anhui Province and are in the process of negotiating the terms of the land acquisition. We are also in the process of negotiating with potential partners to form a strategic alliance for the production and sales of green building materials. We have also commenced the construction work for our Bozhou production plant. We plan to commence trial production of CCA boards at two of our production lines with an aggregate designed capacity of 16.0 million square meters per annum at Bozhou in September 2014, and two of our production lines at Wuhu with an aggregate designed capacity of 16.0 million square meters per annum by the end of 2014. Furthermore, we plan to commence trial production of CCA boards at another two production lines at Wuhu with an aggregate designed capacity of 16.0 million square meters per annum in 2016. Meanwhile, we expect to commence commercial production of wood wool cement boards with a total of four production lines and an aggregate designed capacity of 600,000 cubic meters per annum by mid-2015. We plan to fund substantially all of the investments associated with these production facilities by the proceeds from the Global Offering. Despite our green building materials business will not contribute significant revenue and profit in the short-term, we expect it to diversify our revenue sources and to capture the growth potential of green building materials market in China in the long-term. Based on market demand, we plan to install additional production lines at the production facilities to be constructed at Wuhu, Anhui

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Province and establish additional production facilities in Northern and Northwestern China. Set forth below is the summary of our production facilities currently planned:

Location	Product	Production Lines	Designed Capacity	Investment Plan
Wuhu, Anhui Province	CCA Board	4	32,000,000 m ²	Total investment: RMB670.0 million <ul style="list-style-type: none"> • Approximately 25% of the investment will be used for the procurement of land and establishment of plants; • Approximately 65% of the investment will be used for the procurement of equipment and machinery; • Approximately 10% of the investment will be used for procuring raw materials, recruiting staff and establishing our sales and marketing network.
	Wood wool cement board	2	300,000 m ³	Total investment: RMB240.0 million <ul style="list-style-type: none"> • Approximately 17% of the investment will be used for the procurement of land and establishment of plants; • Approximately 74% of the investment will be used for the procurement of equipment and machinery; • Approximately 9% of the investment will be used for procuring raw materials, recruiting staff and establishing our sales and marketing network.
Bozhou, Anhui Province	CCA Board	2	16,000,000 m ²	Total investment: RMB310.0 million <ul style="list-style-type: none"> • Approximately 25% of the investment will be used for the procurement of land and establishment of plants; • Approximately 65% of the investment will be used for the procurement of equipment and machinery; • Approximately 10% of the investment will be used for procuring raw materials, recruiting staff and establishing our sales and marketing network.
	Wood wool cement board	2	300,000 m ³	Total investment: RMB240.0 million <ul style="list-style-type: none"> • Approximately 15% of the investment will be used for the procurement of land and establishment of plants; • Approximately 76% of the investment will be used for the procurement of equipment and machinery; • Approximately 9% of the investment will be used for procuring raw materials, recruiting staff and establishing our sales and marketing network.

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Due to their highly desirable features, the CCA boards and wood wool cement boards have established its market recognition in China and have strong growth potential. In particular, as the PRC government has set up national standards for the production and application of the CCA board and the wood wool cement board, and favourable government policies have been introduced, it is expected that the use of the CCA board and the wood wool cement board as wall building materials will increase significantly. According to the Roland Berger Report, the market demand for building panels in China is expected to reach RMB292.8 billion at the end of 2017. Currently, the market for the CCA board in China is highly fragmented with a number of small-scale manufacturers using previous generation technologies. On the other hand, the current market for the wood wool cement board in China is dominated by imported products that demand higher costs. As a result, we believe our advanced production facilities combined with ample supply of raw materials position us well in capturing the significant market opportunities for green building materials in China. Furthermore, considering our large-scale production facilities which enable us to benefit from economies of scale, we believe we will be able to price our wood wool cement boards competitively as compared with the imported products that currently dominate the market.

While the green building material business is new and distinctive from our current operations, we believe that our strong management team possess the expertise to lead us in succeeding in this business. Before joining our company, a number of our senior management team, including our chairman Mr. Guo Jingbin and our executive directors Mr. Ji Qinying, Mr. Li Jian and Mr. Li Daming, have served various managerial positions in Conch Cement and Conch Profiles, and have accumulated substantial experiences in various aspects of the building materials industry, including production, sales and marketing and R&D. We also expect to leverage the strategic location of Yangzhou Haichang Port to explore overseas market for our CCA boards and wood wool cement boards. In addition, we also expect to benefit from the synergies between our green building materials business and our investment in Conch Cement and Conch Profiles, including (i) the building materials customer base built by Conch Cement and Conch Profiles; (ii) the reputation in the building materials industry established by Conch Cement and Conch Profiles; and (iii) to secure our cement supply given our relationship with Conch Cement. While we have no control over the businesses of Conch Cement and Conch Profiles, we believe we will be able to access the customer base, including real estate developers and retailers of building materials, to initiate negotiation and cooperation leveraging the strong reputation and relationship built by Conch Cement and Conch Profiles. Meanwhile, we believe that Conch Cement and Conch Profiles have strong incentive to introduce our green building materials to their customers as a value-added comprehensive service to these customers.

We plan to utilize the CCA boards and the wood wool cement boards production facilities to be established to produce our green building materials. We do not plan to use our existing production facilities in relation to residual heat power generation and waste incineration solutions for the production of green building materials. We also plan to maintain separate staffing for our green building materials business. Meanwhile, we will leverage the substantial experiences and expertise in the building materials industry of a number of our senior and mid-level management to supervise and oversee the operation of our green building materials business. As a result, we do not expect the commencement of our green building materials business to adversely affect our existing operations or divert the attention of our management.

CUSTOMERS AND DISTRIBUTION

Our Customers

During the Track Record Period, customers for our residual heat power generation solutions comprise primarily cement companies and steel companies in China, as well as cement companies in Thailand, Indonesia, Vietnam and Brazil. Customers for our vertical mills are primarily cement companies in China. Customers for our waste incineration solutions consist primarily of cement companies. Customers for our port logistics services are cement companies and power plants.

During the Track Record Period, Conch Cement was our largest customer and sales to Conch Cement amounted to RMB750.4 million, RMB560.9 million, RMB330.7 million and RMB366.2 million in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively, representing approximately 41.4%, 35.5%, 26.4% and 55.8% of our turnover for the respective periods. Our Directors confirmed that all of the transactions with Conch Cement were made on an arm's-length basis with normal commercial terms comparable to the terms for sales to our other customers. All the sales of residual heat power generation solutions and waste incineration solutions to Conch Cement were made on a project basis, and we do not have any long-term arrangement with Conch Cement. Going forward, as we actively seek to diversify our revenue source, we expect the revenue contribution from Conch Cement to decrease in the future. See "Financial Information — Factors Affecting Our Financial Condition and Results of Operations — Transactions with and Share of Profit from Anhui Conch Group". In addition, in 2010, 2011, 2012, and the six months ended June 30, 2013, sales to our top five customers accounted for 52.5%, 55.9%, 67.5% and 77.8% of our turnover for the respective periods. Our Directors confirm that, as of the Latest Practicable Date, except for Conch Cement, all of our five largest customers are Independent Third Parties and none of our Directors or their associates or our existing Shareholders who, to the knowledge of our Directors, own more than 5% of our issued share capital, has any interest in any of our five largest customers.

Sales and Marketing

We are engaged in direct sales and do not use any third-party distributors. As of June 30, 2013, our sales and marketing department includes 27 staff members covering the entire China and our overseas markets. For our residual heat power generation and waste incineration solutions, our sales and marketing department is responsible for gathering and analyzing regional market information, development of target markets through technical promotions and advertisements, establishing and maintaining public and client relations, preparation and submission of bid documents, business negotiations and client development. The majority of our residual heat power generation and waste incineration projects are secured through competitive bidding process, while the remaining are secured through direct marketing. For our vertical mills, our sales and marketing department makes direct contact to existing and potential customers, and participate in the cement production facility design process of our customers. For our port logistics services, our sales and marketing department makes direct contact to existing and potential customers to promote our services.

The total price we charge for a specific residual heat power generation or waste incineration project primarily depends on the cost, which is based on the technical requirement of our customer, the capacity of our system and the relevant costs of raw materials, equipment and subcontractors. Based on different types of arrangement, we also set up a target profit margin for each project, which is factored in when we determine the fixed price for the contract. We sell our vertical mills at fixed prices, which are primarily determined by the capacity of the vertical mills and the technical requirements of our customers.

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Project Development

We provide our residual heat power generation solutions and waste incineration solutions to our customers through different type of contractual arrangements, including EP, EPC, BT and BOT. For our residual heat power generation projects overseas, we typically enter into EP arrangement so that we do not need to select, engage and supervise the contractors for construction and installation work. Throughout the different phases of our residual heat power generation and waste incineration projects, we work closely with our clients to design the facilities in accordance with their requirements using our proprietary residual heat power generation systems. Leveraging on our substantial experiences and expertise, we are able to optimise the overall design of the residual heat power generation and waste incineration projects and execute the project efficiently. Set forth below illustrates the different phases of our projects:

Phases	Internal Process	Subcontractors or Suppliers
Preparation	<ul style="list-style-type: none"> • Discussion of commercial and technical issues and signing of contract • The preparation phase typically lasts for 25 days 	
Design	<ul style="list-style-type: none"> • Detailed design • The design phase typically lasts for 45 days 	
Procurement and Production	<ul style="list-style-type: none"> • Equipment and raw material procurement • Production of key equipment • The procurement and production phase typically last for 180 days 	<ul style="list-style-type: none"> • External suppliers for equipment and raw materials
Construction and Installation	<ul style="list-style-type: none"> • Construction and installation • The construction and installation phase typically last for 210 days 	<ul style="list-style-type: none"> • Subcontractor for construction and land work and installation
Completion	<ul style="list-style-type: none"> • Commissioning • Trial run and final performance check • Project delivery and after-sale services 	

Considering that the various phases can be overlapping, it typically takes approximately 270 to 300 days to finish a project.

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Business Arrangements

During the Track Record Period, we undertake residual heat power generation or waste incineration projects with our clients through EP, EPC and BT arrangements. We have also contracted for two waste incineration projects under BOT arrangement. Set forth below is a summary of the various business arrangements:

<u>Type of Arrangement</u>	<u>Working Scope</u>	<u>Revenue Recognition</u>	<u>Financial Impact</u>
EP — Engineering and Procurement	<ul style="list-style-type: none"> • Engineering: devise the plan, design the facility • Procurement: procurement of equipment and raw materials; production of key equipment • In addition to a master EP contract, we further enter into a separate design and engineering contract and a procurement contract with our customers. 	<ul style="list-style-type: none"> • Design and engineering services: revenue is recognized as soon as the outcome of a design contract can be estimated or measured reliably and service rendered without further performance obligations. • Sales of equipment: revenue is recognized when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. 	As compared with EPC or BT projects, the contract price under EP arrangement for residual heat power generation or waste incineration project of the same capacity is typically lower.

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Type of Arrangement	Working Scope	Revenue Recognition	Financial Impact
EPC — Engineering, Procurement and Construction	<ul style="list-style-type: none"> • Engineering: devise the plan, design the facility • Procurement: procurement of equipment and raw materials; production of key equipment • Construction: construction of the facility and installation of the equipment. This is typically subcontracted to qualified subcontractors. • In addition to a master EPC contract, we further enter into a separate design and engineering contract, a procurement contract and a fixed-price construction contract with our customers. 	<ul style="list-style-type: none"> • Design and engineering services: revenue is recognized as soon as the outcome of a design contract can be estimated or measured reliably and service rendered without further performance obligations. • Sales of equipment: revenue is recognized when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. • Construction: revenue is recognized using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract, surveys of work performed or completion of a physical proportion of the contract work for the contract; and when the outcome of a contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred where recovery is probable. 	As compared with EP projects, EPC projects involve the use of fixed price contracts. The terms contained in these contracts require us to complete a project for a fixed price and therefore expose us to cost overruns due to various reasons. See "Financial Information — Factors Affecting Our Financial Condition and Results of Operations — Our Fixed Price Contracts" for further details.

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<u>Type of Arrangement</u>	<u>Working Scope</u>	<u>Revenue Recognition</u>	<u>Financial Impact</u>
BT — Build and Transfer	<ul style="list-style-type: none"> • Build: design the facility, procuring or producing raw materials and key equipment, site construction and equipment installation. Construction of the facility and installation of the equipment. This is typically subcontracted to qualified subcontractors. • Transfer: the completed project is transferred to the client. 	<ul style="list-style-type: none"> • Design and engineering services: revenue is recognized as soon as the outcome of a design contract can be estimated or measured reliably and service rendered without further performance obligations. • Sales of equipment: revenue is recognized when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. • Construction: revenue is recognized using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract, surveys of work performed or completion of a physical proportion of the contract work for the contract; and when the outcome of a contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred where recovery is probable. 	<p>BT projects are similar to EPC projects, except for the payment and financing arrangement. In general, we receive certain portion of the contract price during the progress of an EPC project, while under the BT arrangements, we typically require our clients to pay the total contract price in a span of one to four years after the completion of the project. As a result, we need to finance the BT projects at the "build" phase (including design, procurement and construction), and will not receive payment until the "transfer" phase.</p>

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<u>Type of Arrangement</u>	<u>Working Scope</u>	<u>Revenue Recognition</u>	<u>Financial Impact</u>
BOT — Build, Operate and Transfer	<ul style="list-style-type: none"> • Build: design the facility, procuring or producing raw materials and key equipment, site construction and equipment installation. Construction of the facility and installation of the equipment. This is typically subcontracted to qualified subcontractors. • Operate: operation of the completed facility under a concession for a fixed duration. • Transfer: the completed project is transferred to the local government for free. 	Typically, under a BOT contract, the construction revenue is recognized with reference to the fair value of the construction service delivered in the building phase. The fair value of such service is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the inception date of service concession agreement. Construction revenue is recognized by using the percentage-of-completion method as used in other fixed contracts.	While revenue under the BOT contract will be recognized during the “build” phase, we may or may not record cash inflow until the “operate” phase subject to the terms of the BOT arrangements. As a result, we plan to use a portion of the proceeds from the Global Offering to finance the capital requirement in connection with promoting our waste incineration solutions under BOT arrangements.

EPC and BT arrangements are mostly fixed price contracts and have similar impact on our results of operations and financial condition. See “Financial Information — Factors Affecting Our Financial Condition and Results of Operations — Our Fixed Price Contracts” for further details.

Going forward, we plan to actively seek for waste incineration projects under BOT arrangements with local governments. We believe that the BOT arrangement for cement kiln waste incineration projects presents a compelling value proposition to the local governments for small- to mid-sized cities as such arrangement enables the local governments to effectively resolve the local waste management issues without heavy capital investments.

We typically enter into a master EP, EPC or BT contract with our client with a fixed price, under which we further enter into a design and engineering contract, an equipment procurement and production contract and a construction contract, as the case may be, to detail the scope of work and the respective price. In addition, the master contract also provide for the timeline of the project, including the time of design plan and equipment delivery and/or completion time of the project, key performance indicators of the equipment and the project, payment terms and warranty.

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Set forth below are the number of each type of arrangements we entered into and the respective revenues generated from these arrangements.

	Year ended December 31,						Six months ended June 30,	
	2010		2011		2012		2013	
	Projects	Revenues (in RMB millions)	Projects	Revenues (in RMB millions)	Projects	Revenues (in RMB millions)	Projects	Revenues (in RMB millions)
Residual Heat Power Generation								
EP	38	1,076	19	706	14	699	13	379
EPC	8	319	8	368	3	85	3	78
BT.	—	—	4	97	2	76	—	5
Others ⁽¹⁾	—	8	—	26	—	64	—	37
Subtotal	46	1,403	31	1,197	19	924	16	499
Waste Incineration⁽³⁾								
EPC	1	43	1	1	1	93	—	—
BT.	—	—	1	85	—	—	—	—
Subtotal	1	43	2	86	1	93	—	—

Note:

(1) "Others" primarily include resurfacing welding and sales of spare parts and components.

Set forth below are the number of the projects under construction and contracted projects under each type of arrangements as of October 31, 2013:

	Projects under Construction		Contracted Projects	
	Projects	Contract Value ⁽³⁾ (in RMB millions)	Projects	Contract Value ⁽³⁾ (in RMB millions)
Residual Heat Power Generation				
EP.	11 ⁽¹⁾	506	3	76
EPC.	7	378	4	116
BT.	1	29	2	70
BOT.	—	—	—	—
Subtotal	19	913	9	262
Waste Incineration				
EP.	—	—	—	—
EPC.	2	189	—	—
BT.	1	77	—	—
BOT.	1 ⁽²⁾	79	1	119
Subtotal	4	345	1	119

Notes:

(1) Including an equipment procurement contract.

(2) The terms of transfer arrangements of these projects is subject to further negotiation between the contract parties after the end of the operating period.

(3) Excluding VAT.

Payment Arrangements

Residual Heat Power Generation and Waste Incineration

Under our EP or EPC arrangements, we typically enter into the following payment arrangements for different phases:

Design and Engineering Phase:

We typically require our clients to pay:

- 30% of the design and engineering contract price as prepayment. We would start the design and engineering upon receipt of payment;
- 30% of the design and engineering contract price upon our submission of an advanced draft of design and engineering plan to our client;
- 30% of the design and engineering contract price upon completion of the design and engineering plan;
- 5% of the design and engineering contract price upon completion and acceptance inspection of the whole project; and
- 5% of the design and engineering contract price upon completion of the warranty period.

Equipment Procurement and Production Phase:

We typically require our clients to pay:

- 30% of the equipment procurement and production contract price as prepayment;
- 30% of the equipment procurement and production contract price when the production progress of the key equipment such as boilers and gasification furnace produced by ourselves and steam turbine and generators produced by our suppliers, reaches 60%;
- 20% of the equipment procurement and production contract price upon completion of pre-delivery inspection performed by our clients;
- 10% of the equipment procurement and production contract price upon delivery of the key equipment to our clients' site;
- 5% of the equipment procurement and production contract price upon completion and acceptance inspection of the whole project; and
- 5% of the equipment procurement and production contract price upon completion of the warranty period.

Construction Phase (not applicable to EP arrangements):

We typically require our clients to pay:

- 10% of the construction contract price as prepayment. The prepayment is due within 15 days upon signing the contract;

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- 15% of the construction contract price when the construction team arrive the clients sites;
- 60% of the construction contract price as progress payment, which is to be settled monthly in accordance with the construction progress, until the construction work is completed;
- 5% of the construction contract price upon completion of the acceptance inspection by our clients;
- 5% of the construction contract price upon completion of the performance evaluation; and
- 5% of the construction contract price upon completion of the warranty period.

These payments are typically due within 30 days upon issuance of the invoice.

For contracts we perform overseas, we typically accept letter of credit to settle the payment, and the settlement cycle can be slightly longer than payment from customers in China.

Under the BT arrangements, we typically require our clients to pay the total contract price in a span of one to four years after the completion of the project. The lump sum payment typically includes the interests on the progress payments our clients would have been required to pay under the EPC arrangement.

Port Logistics Services

We typically enter into one-year agreement with our customers with an indicative annual transshipment volume, and our customers will settle the service fee due for the actual transshipment volume monthly. In addition, the transshipment service agreement typically provides for a free storage period for our customers.

AFTER-SALES SUPPORT AND SERVICES

We provide on-site training for the installation, commissioning, use, maintenance and operation of our residual heat power generation or waste incineration systems. The typical warranty period we provide to our customers is two years for our residual heat power generation projects and one year for our waste incineration projects upon completion of the inspection for final acceptance. We believe that the typical warranty periods we provide are in line with the industry practice. Our warranties typically cover regular maintenance services and parts and labour for repairs. The components used in our products are typically covered by warranties provided by the respective suppliers. We also provide complementary technical consulting services to our customers on the operations, maintenance and management of equipment and systems during the warranty period. We make provisions for warranties based on the historical data with respect to claims under or sales agreements. We recorded warranty provisions of RMB1.8 million, RMB1.6 million, RMB1.2 million and RMB0.6 million for the years ended December 31, 2010, 2011, 2012 and the six months ended June 30, 2013. We did not receive any warranty claims during the Track Record Period.

We believe that our after-sales support and services are an important factor that distinguishes us from our competitors and strive to achieve superior performance from our solutions to maintain our reputation and competitiveness. We aim to provide our clients timely responses and solutions, and our after-sales services are available 24 hours a day, seven days a week. During the warranty period, our staff visits our clients to perform regular maintenance

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tasks and provide technical support. For our residual heat power generation projects outside of China, we typically keep a number of technical staff there to provide on-site technical consultation and maintenance services.

EQUIPMENT, COMPONENTS, RAW MATERIALS AND SUBCONTRACTING

Major equipment and components we used in our residual heat power generation systems include boilers, steam turbines, generator, flash distiller, water-cooling system and electrical control system. Major equipment and components used in our waste incineration systems include gasification furnace, crusher, crane, conveyance equipment and high-temperature piping systems. We produce boilers and gasification furnace, the key components for our residual heat power generation systems and our waste incineration systems, respectively, at Wuhu, Anhui Province. By manufacturing these components in-house, we believe that we are able to protect our proprietary technology and ensure the quality and supply. We also produce our vertical mills at our production facilities in Wuhu, Anhui Province. Raw materials used to manufacture boilers and gasification furnaces include cast and forged steel parts such as boiler pipes made in accordance to our specifications. Raw materials used for producing our vertical mills include cast and forged steel parts, hydraulic parts and bearings. We purchase other major equipment and components and raw materials for the manufacture of boilers from reputable suppliers in China. For our residual heat power generation and waste incineration solutions, we subcontract all the construction work and installation to qualified contractors, primarily construction and engineering companies based in China with the necessary qualification as required by the PRC government. We generally select subcontractors based on their reputation for reliability, timeliness, quality, track record and references. Under subcontract agreements, we typically pay a certain portion of the total contract price to our subcontractors as prepayment and pay another portion upon completion of subcontracted construction. Our agreements with subcontractors are on a short-term project base, and the contract prices are typically determined based on the scopes of work. Our subcontractors usually provide a one-year warranty period as to the subcontracted work and we will pay the remaining balance of the contract price upon expiration of the warranty period. Our Directors confirm that all of the subcontractors we engaged during the Track Record Period were Independent Third Parties.

Major equipment used in our port logistics services business includes port cranes and conveyor belts. All the equipment is sourced from multiple reputable suppliers in China.

Major raw materials used to produce CCA boards and wood wool cement boards include poplar logs, quartz sand, cellulose fibres and cement. All of these raw materials can be sourced locally at market prices.

For major equipment and components, we identify suppliers through a comprehensive assessment process. Based on our evaluation of their technology capabilities, product quality, pricing terms, production capacity, operational management and post-sales services, we generally engage two or three suppliers for each major component and allocate the procurement among the designated supplier in order to minimize dependency on any single supplier, ensure quality and stable supply and obtain favourable pricing. During the Track Record Period, all of the major equipment, components and raw materials were sourced from multiple suppliers. We believe that all of our purchases are made in normal commercial terms. We usually enter into non-exclusive purchase orders and short-term supply contracts with our suppliers. Our suppliers typically provide us with a warranty terms that match the warranty terms we provide our customers.

In 2010, 2011, 2012, and the six months ended June 30, 2013, purchases from our largest supplier accounted for 13.8%, 13.9%, 10.2% and 7.4%, respectively, of our total purchases for the respective periods, while purchases from our top five suppliers accounted for 47.7%, 45.0%,

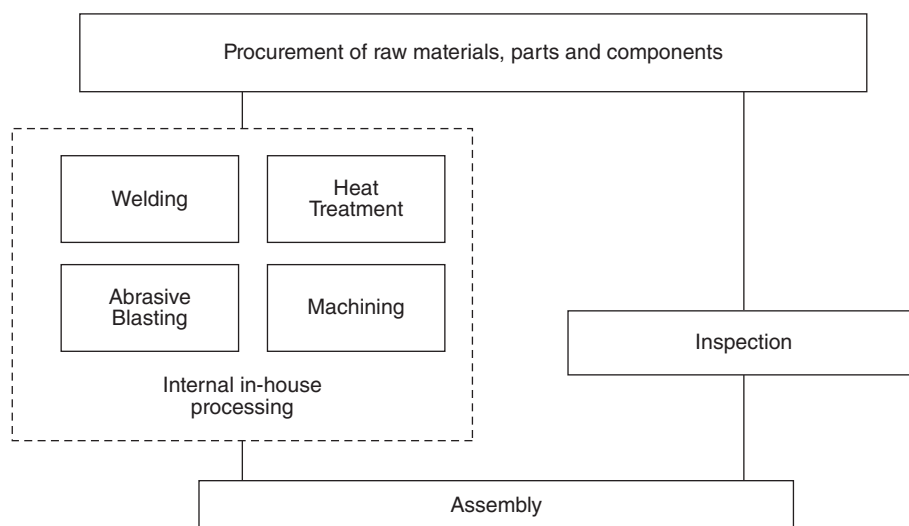
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32.8% and 26.4%, respectively, of our total purchases for the respective periods. Our Directors confirm that, as of the Latest Practicable Date, all of our five largest suppliers are Independent Third Parties and none of our Directors or their associates or our existing Shareholders who, to the knowledge of our Directors, own more than 5% of our issued share capital, has any interest in any of our five largest suppliers.

PRODUCTION

Key Components for Residual Heat Generation Systems and Waste Incineration Systems and Vertical Mills

Our production activities comprise primarily the assembly of boilers and gasification furnace, the key components for our residual heat power generation systems and our waste incineration systems, respectively, as well as our vertical mills. We assemble these equipment at our production facilities in Wuhu, Anhui Province. Our assembly and production processes are designed in accordance with relevant national standards and ASME standards as required by our clients. We have obtained Class A permit for boiler production, Class A2 and C2 permits for high-pressure container production and the ASME production certificate (with class S and U stamp). All of our boilers are inspected by examiners designated by the PRC government and other qualified third-party examiners if so required by our customers. The diagram below illustrates the major production process of our boilers and gasification furnaces:



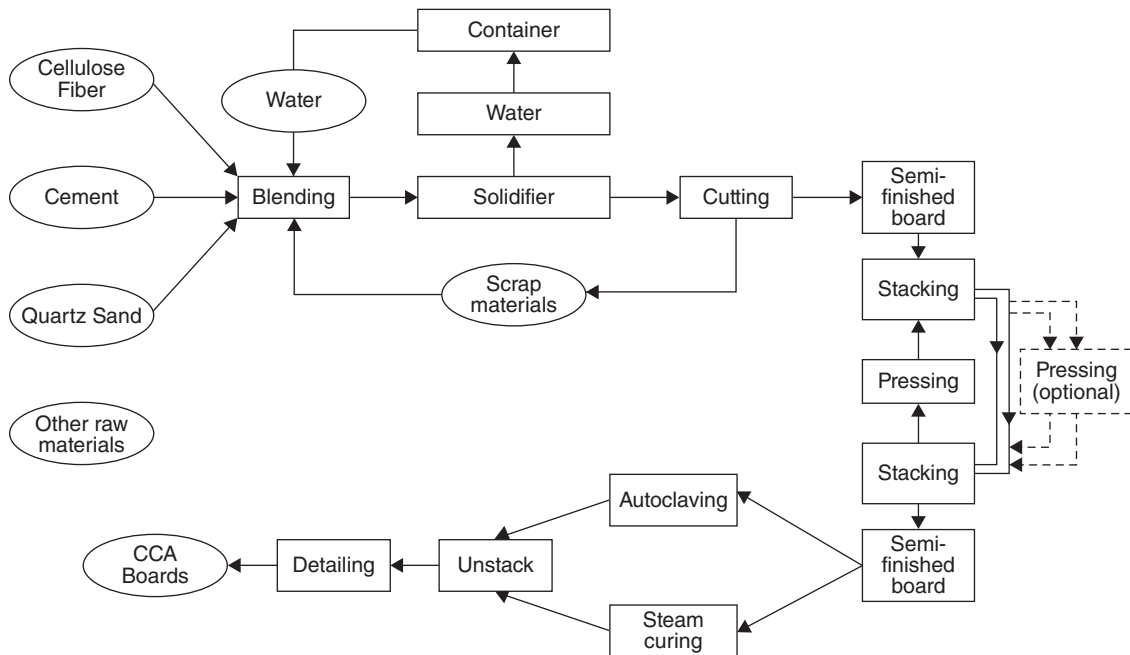
- *Procurement of raw materials, parts and components.* Principal raw materials, parts and components include cast and forged steel parts such as casings and pipes made in accordance to our specifications. Some of the raw materials, parts and components do not need to be processed. They can be assembled into semi-finished products upon completion of quality inspection.
- *Processing of raw materials, parts and components.* Raw materials, parts and components are processed according to the necessary technical specifications to form the specified components. Such treatment process includes cutting, drilling, gas cutting, welding, bending, abrasive blasting, polishing, pre-coating, machining and heat treatment. We perform strict quality control measures to inspect the raw materials, parts and components processed by third parties.

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- *Assembly.* Raw materials, parts and components are further processed to form semi-finished parts and components, such as casings, pipes and electric controls, and are further assembled and integrated to form the finished products.

Green Building Materials

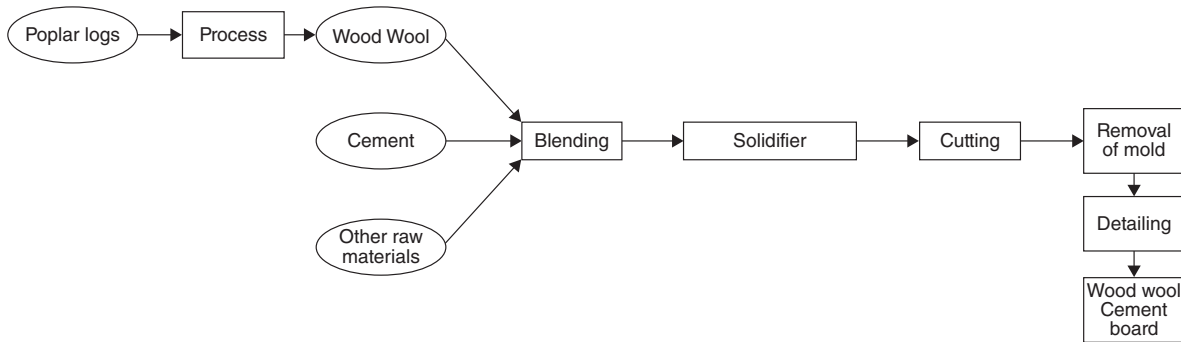
The diagram below illustrates the major manufacturing process of our CCA boards:



- *Blending.* Water, sand, cement and cellulose fibre are blended together.
- *Bonding and Solidification.* The blended raw materials are poured into a mold for bonding and solidification. Scrap materials in the process can be reused in the production process.
- *Autoclaving.* The semi-finished boards are placed in the autoclave to accelerate the solidification process.
- *Detailing.* The solidified CCA boards are further detailed to our technical specification.

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The diagram below illustrates the major manufacturing process of our wood wool cement boards:



- *Processing of raw materials.* Poplar logs are shredded into wood wools and soaked with saline water.
- *Blending.* Cement is blended with the processed wood wools and water.
- *Bonding and Solidification.* The blended raw materials are poured into a mold for bonding and solidification.
- *Detailing.* The solidified wood wool cement boards are further detailed to our technical specification.

QUALITY CONTROL

We have implemented stringent quality control measures to identify and solve potential quality issues. We are currently in compliance with the ISO 9001:2008 quality management system.

Our senior management is actively involved in setting internal quality control policies and established a dedicated quality control department at our headquarters that sets forth general quality control guidelines, manages our quality control practices and oversees the performance of the dedicated quality control teams at our factory. We have also established a dedicated team of 32 equipment and procurement quality control personnel with an average of approximately 9 years of experiences, 9 of these have obtained qualification of assistant engineer or above. We have also established a dedicated team of 33 members with an average of approximately 8 years of experiences to manage and supervise our subcontractors. We seek feedback from our engineers who interface with our clients and who are responsible for the installation and maintenance of our products to adjust and further improve our products and our quality control procedures.

Our quality control procedures start with quality assurance of raw materials and components, which includes selection of reputable suppliers, annual evaluation of our major suppliers, onsite inspection of raw materials and components upon their arrival at our factories. We examine the quality of raw materials and components again before usage. Raw materials and components that fail our inspection are returned to the suppliers for exchange. We have also established quality control measures in each of the key stages of our manufacturing process.

RESEARCH AND DEVELOPMENT

We believe that R&D is critical in maintaining our competitive edge and advantages. Since our establishment, we have been dedicated to the development of energy preservation and environmental protection solutions, primarily residual heat power generation and waste incineration. Recently, we have been focusing on the R&D in connection with green building materials. In order to keep pace with the technological developments in the energy preservation and environmental protection solutions markets and to continually enhance our competitive advantages, we place significant emphasis on research and development.

As of June 30, 2013, our R&D team consisted of 57 members, including nine members from Japan. Our R&D team focuses primarily on projects in connection with residual heat power generation and waste incineration. Our continuous efforts and dedication in research and development have enabled us to stand ahead of our competitors in the market. For example, our patented boiler design ensures an optimal heat-electricity conversion ratio and operational stability, and minimal maintenance costs. We also use the cement kilns to remove all the hazardous substances from gaseous emission from incineration and achieve cost efficiency by fueling the cement kilns with the thermal energy from incineration and using incineration remnant as raw materials to produce cement.

Government authorities in China and international organizations have recognized our R&D capabilities by granting us various national and regional awards. For example, we have received the High and New Technology Enterprise certificate in 2008 and Blue Sky Nominee Award from the United Nations for our waste incineration projects in 2009. Our proprietary residual heat power generation system also received the Anhui Province First Class Science and Technology Award in 2010.

Going forward, we aim to focus our R&D efforts on the following areas:

- Residual heat power generation: we aim to further improve our boiler designs to maximise the operational efficiency of our systems. We also aim to optimise our boiler designs to be used for steel plants, chemical plants and glass factories to further expand the end applications of our residual heat power generation systems.
- Waste incineration: we aim to further improve the design of our gasification furnace and grate incinerators to widen the end applications of our waste incineration systems.

In 2010, 2011, 2012 and the six months ended June 30, 2013, we incurred R&D expenses of RMB11.6 million, RMB16.0 million, RMB22.7 million and RMB5.0 million, respectively. Our R&D expenditures are recognized as expenses in the period such expenses were incurred.

Technology Partnership with Kawasaki Group

We have established a longstanding collaborative relationship with Kawasaki Group, which can be traced back to 1997 when Kawasaki Group and Ningguo Cement Plant, a cement plant owned by Conch Cement, cooperated to establish the first cement residual heat power generation system in China. Kawasaki Group is a leading industrial conglomerate based in Japan, with a diverse range of businesses including shipbuilding and the manufacture of motorcycles, all-terrain vehicles, personal water craft, ships, industrial plants, tractors, trains, small engines, and aerospace equipment. In February 2007 and April 2008, in connection with the establishment of CK Engineering, Kawasaki Plant granted us exclusive licenses for residual heat power generation systems and vertical mills and the use of technical information such as drawings and technical data calculation software in China. The license for residual heat power

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generation systems was granted in consideration of a fixed price, which has been paid up in 2012 while the license for vertical mills was granted as royalty-free. Under the license agreements, we and Kawasaki Plant agreed that the party that developed any improvements on the licensed product will grant the other party a non-exclusive license without any additional charges. The license for residual heat power generation systems is valid until October 15, 2026 while the license for vertical mills is valid until September 21, 2027, and the licensing agreements can be terminated if (i) we are in a material breach of the contract; (ii) we are insolvent or enter into liquidation or bankruptcy process; (iii) a change of control event occurs to us; and (iv) recent government policies or legislations significantly limit or alter our business operations or perform our obligation under the agreement. For further details, see the section headed “Connected Transactions — Continuing Connected Transaction Exempted from Reporting, Announcement and Independent Shareholders’ Approval Requirements”. While we no longer produce the licensed products, we have benefitted from the proprietary technologies from the licensed products and since then developed a suite of proprietary technologies, including our various patented boiler designs.

In April 2008, we entered into a co-development agreement with Kawasaki Plant for the development of waste incineration solutions. As a result of our cooperation, we have co-developed a total of four patents in connection with our innovative waste incineration solutions. The patents are jointly owned by us and Kawasaki Plant. Furthermore, the co-development agreement provides that, without mutual agreement, none of the owners of the patent can transfer or license the patent or any related technical information to a third party. The co-development agreement also grants us the exclusive right to produce product or constructing process utilizing the patents and relevant technologies in China.

INTELLECTUAL PROPERTY

We rely primarily on a combination of patents, copyrights, technologies and trade secrets, as well as third party confidentiality agreements to protect our intellectual property. As of the Latest Practicable Date, we registered a total of 58 patents in China and had 6 pending patent applications in China.

We do not believe the expiration or loss of any of the current patents we own would materially harm our business. We do not know if our patent applications, applications for patent license or any such applications in the future will result in patents being issued with the scope of the claims we seek, if at all, or whether any patents we receive may be challenged, invalidated or declared unenforceable.

With respect to, among other things, proprietary know-how that is not patentable and processes for which patents are difficult to enforce, we rely on trade secret protection and confidentiality agreements to safeguard our interests. While we believe that certain elements in our operations are not covered by patents or copyrights, we have taken security measures to protect these elements.

We require our clients and business partners to enter into confidentiality agreements before we disclose any sensitive aspects of our operations, technology or business plans.

As of the Latest Practicable Date, we had not been subject to any material intellectual property claims against us, and we had not experienced any infringements on our intellectual property rights.

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COMPETITION

We are a leading provider of residual heat power generation solutions in China, as measured by sales amount in 2012, according to the Roland Berger Report, and we are expanding our waste incineration and green building materials businesses. We are subject to intense competition in the energy preservation and environmental protection solutions market. We compete primarily on the basis of technology, expertise, service quality, client recognition and industry reputation and a competitive pricing and cost structure. We believe that our proprietary technologies and our sales and servicing network will enable us to continue to grow and take advantage of the increasing demands for various energy preservation and environmental protection solutions in China. We also provide port logistics services, where we compete on location and throughput capacity of the port and the quality of our services.

In particular, we face a variety of competitors and competition landscape across our three current lines of operations:

- In the residual heat power generation solutions market, we primarily compete with Sinoma Energy Conservation and Dalian East New Energy Development. The residual heat power generation market for cement where we have a leading market position is mature and highly concentrated. On the other hand, markets of residual heat power generation solutions in steel, metallurgical and chemical are highly fragmented with strong growth potential.
- In the cement kilns waste incineration market, we compete primarily with Huaxin Cement, Sinoma Energy Conservation and CITIC Heavy Industries. The market for cement kilns waste incineration is highly concentrated. Going forward, as we begin to offer grate incinerator, we will be facing a more fragmented market. As BOT arrangement is widely accepted for waste incineration projects, it is expected that the market will favor companies with stronger financial resources, such as state-owned enterprises or listed companies.
- In the port logistics services market, we primarily compete with the various ports along the Yangtze River.

In addition, once we begin to offer CCA boards and wood wool cement boards in the future, we will face competition within the whole wall building materials market. CCA board and wood wool cement board will compete with a variety of wall building materials, including traditional materials and alternative materials such as aerated concrete and glass-fibre cement board.

EMPLOYEES

As of June 30, 2013, we employed a total of 748 employees that are classified as follows:

Function	Number of Employees	Percentage of Total Number of Employees
Management	60	8.0
Production and operation	567	75.8
Research and development.	57	7.6
Finance	17	2.3
Others.	47	6.3
Total	748	100.0

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In 2010, 2011, 2012 and the six months ended June 30, 2013, the staff costs we incurred were approximately RMB50.6 million, RMB37.3 million, RMB48.6 million and RMB31.3 million, respectively.

We provide management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. We sign individual employment agreements with our employees, covering, among other things, salaries, benefits, training, workplace safety and grounds for termination. Our employees also receive welfare benefits including medical insurance, housing subsidies, pension insurance, unemployment insurance, maternity insurance and other miscellaneous benefits.

We are required under PRC law to make contributions to our employee benefit plans including pension, work-related injury benefits, maternity insurance, medical and unemployment benefit plans. The local government authorities have confirmed that contributions to these employee benefit plans have been made in a timely manner as required by applicable PRC regulations during the Track Record Period, and we were not subject to penalties or sanctions. As confirmed by the local government authorities, we have also made contributions to the housing funds for our employees on time, and we are not in violation of the PRC laws and local regulations with regard to the provision of employee housing subsidies and housing funds during the Track Record Period. Our employees are not covered by any collective bargaining agreement. During the Track Record Period, we have not experienced any major disputes with our employees and we believe that we maintain a good working relationship with our employees. In 2010, 2011, 2012 and the six months ended June 30, 2013, we have made contributions to mandatory employee benefit plans of approximately RMB5.1 million, RMB7.5 million, RMB10.1 million and RMB5.7 million, respectively.

INSURANCE

We maintain a property insurance policy covering the book value of our equipment and facilities. The insurance policy covers losses due to fire, flood and a wide range of other natural disasters. We maintain insurance policies in respect of our buildings. We also purchase group life insurance for our staff engaging construction or taking business trip. We do not have product liability insurance coverage to cover personal injuries and property damages caused by the products we have sold, supplied or distributed up to specified limits. We do not carry liability insurance that extends coverage to all potential liabilities that may arise in the ordinary course of our business, and we do not maintain any insurance coverage for business interruption due to the limited coverage of any business interruption insurance in China. After considering the nature of our business operations, we and our Directors believe our insurance coverage is adequate and is in line with other providers of environmental protection products and services in China.

PROPERTIES

We occupy certain properties in China in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our offices, factories, warehouses and employee dormitories. As of the Latest Practicable Date, we owned, leased or occupied spaces in a total of 12 buildings with an aggregate GFA of approximately 99,832.92 square meters and five parcels of land with a total area of 863,729.7 square meters.

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According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as of June 30, 2013, none of the properties held or leased by us has a carrying amount of 15% or more of our combined total assets.

Owned Properties

As of the Latest Practicable Date, we owned four parcels of land with a total area of 633,011.7 square meters and three buildings with a GFA of approximately 73,393.97 square meters. Save as disclosed below, we have obtained land use right certificates for all our lands, all the construction permits for all our buildings and structures. As advised by our PRC legal advisor, Jingtian & Gongcheng, we are entitled to use the land and we legally own all of our buildings. None of our lands and buildings are subject to mortgage.

The following table sets out a summary of the properties owned by us.

<u>Address and description of location</u>	<u>Use of property</u>	<u>Total Area or GFA (square meters)</u>	<u>Duration of lease or land use rights</u>
Huolonggang Town, Wuhu City, Anhui Province	Industrial	78,157.20	50 years from December 13, 2007
Huolonggang Town, Wuhu City, Anhui Province	Industrial	53,200.00	50 years from December 13, 2007
Bozhou City, Anhui Province ⁽¹⁾	Industrial	142,948.00	N/A
Daqiao Town, Yangzhou City, Jiangsu Province	Port	358,706.50	N/A
Huolonggang Town, Wuhu City, Anhui Province-Factory #1 ⁽²⁾	Factory	27,346.89	N/A
Huolonggang Town, Wuhu City, Anhui Province-Factory #2 ⁽²⁾	Factory	18,501.14	N/A
Huolonggang Town, Wuhu City, Anhui Province-Factory #3 ⁽²⁾	Factory	27,545.94	N/A

(1) We are in the process of obtaining the land ownership certificate. As advised by our PRC legal advisor, there is no material legal impediment for us to obtain the land ownership certificate.

(2) We are in the process of obtaining the building ownership certificate. As advised by our PRC legal advisor, there is no legal impediment for us to obtain the building ownership certificates.

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Leased Properties

As of the Latest Practicable Date, we leased spaces in five buildings with a GFA of approximately 15,671.95 square meters for offices and employee dormitories. Our PRC legal advisor, Jingtian & Gongcheng, has advised us that all our landlords are entitled to lease, and we are entitled to occupy and use these spaces, except as disclosed below:

- The landlord of the four buildings with an aggregate GFA of approximately 4,722 square meters we leased for employee dormitories, CV Investment, could not demonstrate evidence of their ownership of the buildings. As advised by our PRC legal advisor, without evidence of ownership of the buildings, the validity of the lease cannot be determined. However, as the buildings were used for employee dormitories, for which alternatives can be easily located, our Directors do not believe that our business, results of operations or financial condition will be materially and adversely affected in case we are ordered to relocate these dormitories. In case the leases were found to be invalid, the cost for alternative dormitory space is expected to be approximately RMB550,000 per annum.

Our Directors confirm that we are using these leased properties in accordance with the permitted usages under the relevant lease agreements.

The following table sets out a summary of all the buildings leased by us:

<u>Address and description of location</u>	<u>Use of property</u>	<u>Approximate area (square meters)</u>	<u>Expiration of lease</u>
Wuhu Conch International Conference Center No. 1011, Jiuhua South Road, Wuhu City	Office	10,949.95	June 30, 2015
Conch Youth Apartment (Building #8, 9, 10 and 11) Jiuhua South Road, Wuhu City	Employee dormitory	4,722.00	May 31, 2014

Our Directors confirm that none of the properties held or leased by us has any material encumbrances, environmental issues, litigation, breaches or defects.

Occupied Properties

As of the Latest Practicable Date, we occupied two parcels of land with an aggregate site area of 373,666 square meters and four buildings with a GFA of 10,767 square meters at Yangzhou, Jiangsu Province that were neither owned nor leased by us. One parcel of the land with a site area of 253,356 square meters was used as the back-up dry bulk cargos stacking fields (without any equipment or facilities) for the Yangzhou Haichang Port. The parcel of land with a site area of 120,310 square meters and the buildings on the land were used for office, canteen and dormitories for the Yangzhou Haichang Port. As the formalities of conversion of such two parcels of collectively owned land into state-owned land have not been accomplished, we are not able to obtain the relevant land use right certificates and thus the building ownership certificate without property land use right certificate. As advised by our PRC legal advisor, such two parcels of collectively owned land may be recovered and the buildings thereon may be dismantled or confiscated, and a fine may be imposed.

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However, the dry bulk cargos stacking field is for back-up purpose, and the dry bulk cargos that were stacked in such field accounted for approximately 0.7% of the volume of dry bulk cargos that went through Yangzhou Haichang Port since January 2013. As a result, we believe that the loss of this back-up stacking field would not have any material and adverse effect on our business, results of operations and financial condition.

On the other hand, if we are ordered to move out of the building and land that were used as office space, canteen and dormitory, we will be able to locate alternative locations easily, and we expect to incur minimal relocation expenses for an annual rent of approximately RMB180,000 per year. As a result, we believe that if we are ordered to stop using and move out of either parcel of the land or the building, our business, results of operations and financial condition will not be materially and adversely affected.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

We are subject to extensive national and local environmental laws and regulations where we operate concerning, among other things, emissions to the air, discharges to land, surface water and subsurface water, the generation, handling, storage, transportation, treatment and disposal of waste and other materials, and the remediation of environmental pollution relating to our properties and operations. The PRC national and local environmental laws and regulations impose fees for the discharge of waste substances above prescribed levels, require the payment of fines for serious violations and provide that the PRC national and local governments may at their own discretion close or suspend the operation of any facility that fails to comply with orders requiring it to cease or remedy operations causing environmental damage. See “Regulatory Overview” for additional information.

Our operations are subject to regulation and periodic monitoring by local environmental authorities. If we fail to comply with present or future laws and regulations, we could be subject to fines, suspension of production or cessation of operations. Our operations of assembly, design and engineering involve minimal waste emissions (including gaseous waste and wastewater), and we have implemented monitoring systems to ensure our compliance with the relevant laws and regulations. In 2010, 2011 and 2012, our annual cost of compliance with environmental protection rules and regulations was approximately nil, nil and RMB0.8 million, respectively. We expect our annual cost of compliance with environmental protection rules and regulations for 2013 to be RMB0.3 million.

We are also subject to the PRC laws and regulations regarding labour, safety and work related incidents. We provide our employees working in our manufacturing facilities with adequate safety equipment and precautionary measures. In addition, we provide safety-related education to our employees to increase awareness as to safety in the workplace. Relevant warning signs are always used at required locations. We have also implemented an internal control system to ensure the proper documentation of any work place safety incidents. During the Track Record Period, we had complied with the relevant PRC workplace safety regulatory requirements in all material respects and have not had any incidents or complaints which had materially and adversely affected our financial condition or business operations.

As advised by our PRC legal advisor, Jingtian & Gongcheng, we believe we have obtained all of the environmental and work safety permits necessary to conduct our business and as confirmed by the local government authorities are currently in compliance with applicable environmental and work safety laws and regulations in all material respects. During the Track Record Period, no administrative sanctions or penalties that have a material and adverse effect on our financial condition or business operations have been imposed upon us for the violation of

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environmental protection or safety laws or regulations. We have also received ISO14001:2004 certification for environment management and GB/T28001-2011 certification for our occupational safety management system.

LEGAL PROCEEDINGS

We are currently not a party to, and we are not aware of any threat of, any legal, arbitral or administrative proceedings, which, in our opinion, is likely to have a material and adverse effect on our business, financial conditions or results of operations. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

LICENSES, REGULATORY APPROVALS AND COMPLIANCE RECORD

Our Directors, as advised by our PRC legal advisor, confirm that during the Track Record Period and as of the Latest Practicable Date, we have complied with all relevant PRC laws and regulations in all material respects and have obtained all requisite licenses, approvals and permits from relevant regulatory authorities for our operations in China. In addition, we have implemented robust internal control policies and procedures to ensure the on-going compliance with applicable laws and regulations by our Group, our Directors and our senior management.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering, and without taking account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, HLGH Fixed Investment and HLGH Investment will hold approximately 39.84% and 8.60% (together approximately 48.44%) of the issued share capital of our Company respectively. HLGH Fixed Investment and the Shares held by it form part of the trust assets of the HLGH Fixed Trust, while HLGH Investment and the Shares held by it form part of the trust assets of the HLGH Discretionary Trust. HLGH PTC is the trustee of each of the HLGH Trusts, and Mr. Liu Yi is (among other capacities) the sole director of HLGH PTC.

HLGH Fixed Trust and HLGH Discretionary Trust were both established by Mr. Liu Yi as settlor. Mr. Liu Yi was (and still is) the SA Manager of SA Conch Group. There are 3,593 fixed beneficiaries of the HLGH Fixed Trust who are also SA Member Beneficiaries of SA Conch Group. The discretionary objects of the HLGH Discretionary Trust are employees from time to time of Conch Holdings, CV Investment, our Company and those of their respective direct or indirect subsidiaries and companies in which they have interests, and who are concurrently members of the staff associations of any one or more of these companies.

Under the trust deeds constituting the SA BVI Trusts, each trustee has been given the widest possible powers (which it may exercise or omit to exercise at its discretion) for the trustee to deal in and manage (among other powers) its trust assets as if it were the absolute beneficial owner of such trust assets, including without limitation, the power to vote upon or in respect of (and accordingly, to procure any of its investment vehicles to vote upon or in respect of) the Shares comprised in the trust assets at its own discretion.

For the purpose of the Listing Rules, Mr. Liu Yi, HLGH PTC, HLGH Fixed Investment and HLGH Investment are deemed to be the Controlling Shareholders of our Company as at the Latest Practicable Date.

Information on other companies owned by our Controlling Shareholders or their associates

As at the Latest Practicable Date, apart from the businesses carried on by our Group, our Controlling Shareholders also had controlling interest in the companies mentioned below (the "Excluded Businesses"). These companies are principally engaged in (or have investments in companies which are principally engaged) in businesses of sectors different from our Group's.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The tables below sets out brief details of the companies under the Excluded Businesses as at the Latest Practicable Date:

Name of company	Principal activities	Percentage equity-holding attributable to our Controlling Shareholders
CV Investment	Investment and property holding	82.93% (Note 1)
Conch Venture Property	Real estate development	100% (Note 2)
Conch Property Management	Office and residential property management	100% (Note 2)
XYY Investment Shanghai	Investment and financial advisory	75% (Note 2)
Conch IID Shanghai	Enterprise investment and asset management (non-financial sector)	70% (Note 2)

Notes:

- CV Investment was held as to 82.93% by SA Conch Group, which was controlled by Mr. Liu Yi in his capacity of SA Manager of SA Conch Group. CV Investment is also the direct holder of Conch Cement A-Shares, which represented about 5.41% registered capital in Conch Cement as of the Latest Practicable Date.
- CV Investment owned (i) the entire equity interest in each of Conch Venture Property and Conch Property Management, (ii) 75% equity interest in XXX Investment Shanghai and 70% equity interest in Conch IID Shanghai.
The remaining 25% equity interest in XXX Investment Shanghai was owned by Mr. Zhu Zhongping (the chief accountant of our Company, being a member of the senior management).
The remaining 30% equity interest in Conch IID Shanghai was owned (i) by Mr. Wang Xuesen (a director of HC Port and a beneficiary of the HLGH Fixed Trust) as to approximately 7.70%, (ii) by Mr. Wang Jibin (a director of HC Port and a beneficiary of the HLGH Fixed Trust) as to approximately 6.18%, and (iii) by 4 individuals (three of whom are beneficiaries of the HLGH Fixed Trust and the other individual is the spouse of one of the Individual Owners) as to approximately 16.12%.

Our Group's principal businesses are the provision of energy preservation and environmental protection solutions and also the offering of green building materials. As the Excluded Businesses as mentioned above are different from our principal businesses, our Directors have considered that it is either unnecessary or it is not in the best interest of our Company to include the Excluded Business in our Group for the purpose of Listing, in order for our Group to focus on our principal businesses. None of our Controlling Shareholders have any present intention to inject any of the Excluded Businesses into our Group in the near future.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Save as disclosed in this section and the section headed "Connected Transactions" in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing. Our Group is capable of carrying on our business independently of and does not place undue reliance on our Controlling Shareholders, taking into consideration the following factors:

Management independence

Our Board comprises three executive Directors, one non-executive Director and three INEDs. None of our controlling shareholders is a Director.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

We have an independent team of senior management to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and that we are capable of managing our business independently from our Controlling Shareholders after the Listing.

Business independence

Save for the related party transactions disclosed in note 27 of the Accountants' Report set out in Appendix I to this prospectus and the connected transactions disclosed in the section headed "Connected Transactions" in this prospectus, there were no material business dealings between our Group and the Controlling Shareholders during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, our Group and our Controlling Shareholders did not have any common or shared facilities or resources. Our Group has independent access to the sources of supplies for the provision of our energy preservation and environmental protection solutions and also the offering of green building materials. Neither our Controlling Shareholders nor any of their respective associates is a supplier or an intermediary for our Group's supplies. We have independent access to our customers. Our Directors believe that our Group has not unduly relied on the Controlling Shareholders or their respective associates to carry on its business during the Track Record Period.

Financial and administrative independence

During the Track Record Period, we principally financed our operations through a combination of (i) borrowings from banks; and (ii) cash generated from our operations, as well as (iii) borrowings from our Controlling Shareholders and their respective associates. As of the year-end or period-end during the Track Record Period:

- (a) our total bank borrowings amounted to nil, nil, RMB120 million and RMB1,110 million, respectively; and
- (b) approximately RMB100 million, RMB200 million, RMB300 million and RMB80 million, respectively were borrowings obtained by us from CV Investment, an associate of our Controlling Shareholders, in respect of which interest rates ranged from approximately 5.31% to 6.56% per annum were carried; and
- (c) our loans and borrowings of nil, nil, RMB50 million and RMB1,040 million were secured by guarantees and/or collaterals given by CV Investment, an associate of our Controlling Shareholders.

On July 16, 2013, HLGH Investment and our Company entered into a loan agreement, whereby HLGH Investment agreed to lend HK\$99.1 million to our Company (as shareholder's loan) for the purpose of paying up the registered capital of HK\$100 million in Conch Venture Green as our Group did not have sufficient foreign currency for such purpose. The loan proceeds were paid to our Group on July 16, 2013. The loan to our Company does not carry interest if it is fully repaid by July 31, 2014, and a 5% annual interest will be incurred if

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

repayment is made after such date. Under the loan agreement, the maturity date is March 31, 2015, but if our Company is listed before such date, the loan shall be fully repaid by our Company to HLGH Investment within 60 days from the Listing Date. In November 2013, our Group was granted banking facilities of HK\$100 million (approximately RMB78.7 million) from Industrial and Commercial Bank of China (Asia) Limited, an Independent Third Party, for the purpose of replacing the shareholder's loan before listing. Please refer to the section headed "Financial information — Indebtedness". Although the banking facilities have been arranged, our Group plans to use part of the proceeds from the Global Offering to fully repay such shareholder's loan shortly after receiving such proceeds (which is expected to be within 10 business days after the date of Listing) to save the related interest costs. The balance of such loan amounted to RMB78.6 million as of October 31, 2013, representing approximately 4.7% of our Company's total loans and borrowings of RMB1,687.6 million as of October 31, 2013 and approximately 4.5% of our current assets of RMB1,752.9 million as of October 31, 2013, where the amount of the loan is relatively not substantial having regard to the financial position of our Group. On the above grounds, our Directors consider that our Group could operate financially independently from our Controlling Shareholders.

Save for the shareholder's loan from HLGH Investment as mentioned above, as of the date of this Prospectus, all loans, advances and balances due to and from our Controlling Shareholders have been fully settled, and all security and guarantees given by them in connection with our Group's borrowings have been fully released.

Save as mentioned above, our source of funding was independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective associates, financed our operations during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had independent financial and accounting system, independent treasury function for receiving cash and making payments. Our Group is capable of making financial decisions according to our own business needs. Our Directors also believe that we are able to obtain financing independent from our Controlling Shareholders.

Save as aforesaid, our Group does not rely on our Controlling Shareholders and/or their respective associates by virtue of their provision of financial assistance.

Operational independence

During the Track Record Period, our Group had three major operating subsidiaries in the PRC, namely CK Engineering, CK Equipment and HC Port (the "Operating Subsidiaries"). Our Group had its own management team to carry out our business and operations, including engineering, manufacturing, marketing and sales operations as well as business development. The Operating Subsidiaries were operationally independent of our Controlling Shareholders and their associates as we have our own operational personnel.

Our Board believes that we have been operating independently from our Controlling Shareholders and their associates and will continue to do so after the Listing.

COMPETITION AND CONFLICT OF INTERESTS

Undertakings given by Controlling Shareholders

Each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, the Controlling

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Shareholders (collectively, the “Covenantors”) have entered into a deed of non-compete and other undertakings (the “Non-Compete Undertakings”) in favor of our Company on December 3, 2013 pursuant to which each of the Covenantors has, among other matters, irrevocably undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of the Covenantors shall, and shall procure that their respective associates and/or companies controlled by them (other than our Group) shall:

- (i) not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to the provision or production of energy preservation and environmental protection solutions and related equipment (including but not limited to residual heat power generation and waste incineration), green building materials and port logistics services) in the PRC or any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on business mentioned above from time to time (the “Restricted Activity”);
- (ii) not solicit any then existing employee of our Group for employment by it/him or its/his associates (excluding our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/his knowledge in its/his capacity as our Controlling Shareholder for any purpose of engaging, investing or participating in any Restricted Activity;
- (iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;
- (v) not invest or participate in any Restricted Activity; and
- (vi) procure its/his associates (excluding our Group) not to invest or participate in any project or business opportunity of the Restricted Activity.

The above undertakings (i) and (vi) are subject to the exception that any of the associates of the Covenantors (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Activity or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review and approval by our Directors (including our INEDs without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of the INEDs), confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Activity and provided also that the principal terms on which that relevant associate of the Covenantor(s) invests, participates or engages in the Restricted Activity are substantially the same as or not more favorable than those disclosed to our Company. Subject to the above, if the relevant associate of the Covenantor(s) decides to be involved, engaged, or participate in the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Non-Compete Undertakings will become effective conditional on (i) the Stock Exchange granting listing of, and permission to deal in, all our Shares in issue and to be issued under the Global Offering and our Shares which may be issued upon the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriters) and that the Underwriting Agreements not being terminated in accordance with their respective terms or otherwise.

For the above purpose, the “**Relevant Period**” means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

- (a) the date on which the Covenantors and their associates (individually or taken as a whole) ceases to own 30% of the then issued share capital of our Company directly or indirectly or cease to be the controlling shareholders for the purpose of the Listing Rules and do not have power to control our Board; and
- (b) the date on which our Shares cease to be listed on the Stock Exchange.

Each of the Covenantors has undertaken under the Non-Compete Undertakings that he or it shall provide to us and our Directors (including our INEDs) from time to time all information necessary for the annual review by our INEDs with regard to compliance with the terms of the Non-Compete Undertakings by the Covenantors. Each of the Covenantors has also undertaken to make an annual declaration as to compliance with the terms of the Non-Compete Undertakings in our annual report.

Confirmation given by other Directors

Each Director confirms that he does not have any competing business with our Group.

Corporate governance

In order to manage properly any potential or actual conflict of interests between us and our Controlling Shareholders in relation to compliance and enforcement of the Non-Compete Undertakings, we have adopted the following corporate governance measures:

- (a) our INEDs shall review, at least on an annual basis, compliance and enforcement of the terms of the Non-Compete Undertakings by our Controlling Shareholders;
- (b) we will disclose any decisions on matters reviewed by our INEDs relating to compliance and enforcement of the Non-Compete Undertakings either through our annual report or by way of announcement;
- (c) we will disclose in the corporate governance report of our annual report on how the terms of the Non-Compete Undertakings have been complied with and enforced; and
- (d) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Non-Compete Undertakings, he may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

CONNECTED TRANSACTIONS

OVERVIEW

During the Track Record Period, we entered into certain transactions with some connected persons of the Company. These transactions will continue after the Listing Date, thereby constituting continuing connected transactions of the Company under the Listing Rules. Brief details of these continuing connected transactions are set out below:

Name of connected person	Relationship with the Company	Nature of transaction	Term (if applicable)	Applicable Listing Rules	Waiver sought
(a) Conch IID Shanghai	A company which is owned as to 70% by CV Investment (see Note below)	Our Group's (i) purchase of parts and materials (such as steel pipes and welding wires); (ii) receiving export agency services	25 months from December 1, 2013 to December 31, 2015	(i) Rule 14A.35 (ii) Rule 14A.34	Applied for and granted under Rule 14A.42(3)
(b) CV Investment	Please see Note below	Our Group's leasing (as tenant) of office and staff quarter	(for office) 24 months from July 1, 2013 to June 30, 2015; (for staff quarters) 12 months from June 1, 2013 to May 31, 2014	Rule 14A.34	Applied for and granted under Rule 14A.42(3)
(c) Conch Property Management	A company which is solely-owned by CV Investment (see Note below)	Our Group's receiving property management service for factories, office and staff quarters	(for office) 24 months from July 1, 2013 to June 30, 2015; (for staff quarters) 12 months from June 1, 2013 to May 31, 2014	Rule 14A.34	Applied for and granted under Rule 14A.42(3)
(d) Kawasaki HI	A company holding 49% equity interest in each of CK Engineering and CK Equipment (which are our non-wholly owned subsidiaries)	Our Group's (i) purchase of materials and products related to residual heat power generation; (ii) receiving design service and labour for technical assistance; (iii) sales of parts and products related to residual heat power generation	One month from December 1, 2013 to December 31, 2013	Rule 14A.34	Applied for and granted under Rule 14A.42(3)
(e) CKEM	A joint-controlled entity held by Kawasaki HI and Conch Cement	Our Group's purchase of equipment, parts and materials (including pre-heaters and cooling machines)	One month from December 1, 2013 to December 31, 2013	Rule 14A.34	Applied for and granted under Rule 14A.42(3)

Note: CV Investment is under the control of Mr. Liu Yi (being one of our Controlling Shareholders) in his capacity of SA Manager of SA Conch Group.

CONNECTED TRANSACTIONS

Connected persons

About 82.9% of the registered capital in CV Investment is registered in the name of SA Conch Group (for the benefit and on behalf of its SA Member Beneficiaries.) It is under the control of Mr. Liu Yi (one of our Controlling Shareholders). Accordingly, it will be a connected person to our Company under Rule 14A.11(4) of the Listing Rules following the Listing.

Conch IID Shanghai is owned as to 70% by CV Investment. Conch Property Management is a wholly owned subsidiary of CV Investment. Accordingly, Conch IID Shanghai and Conch Property Management will be connected persons to our Company under Chapter 14A of the Listing Rules following the Listing.

Kawasaki HI holds 49% equity interest in each of CK Engineering and CK Equipment, both being indirect non-wholly-owned subsidiaries of our Company. As more than 30% equity interest in each of CK Engineering and CK Equipment is held by Kawasaki HI, it will be a connected person of our Company under Chapter 14A of the Listing Rules following the Listing.

CKEM is a joint controlled entity held by Kawasaki HI (which is, as mentioned above, a substantial shareholder of our non-wholly owned subsidiaries) and Conch Cement in equal share. As more than 30% equity interest in CKEM is held by Kawasaki HI, CKEM is an associate of Kawasaki HI. Accordingly, it will be a connected person to our Company under Chapter 14A of the Listing Rules following the Listing.

The respective dates of establishment and principal businesses of Conch IID Shanghai, CV Investment, Conch Property Management, Kawasaki HI and CKEM are as follows:

<u>Name of connected person</u>	<u>Date of establishment</u>	<u>Principal business</u>
Conch IID Shanghai .	December 20, 2005	Provision of trading and business advisory services
CV Investment	November 5, 2002	Investment holding
Conch Property Management	February 14, 2007	Office and residential property management
Kawasaki HI	October 9, 1896	Manufacture of a wide range of technological products including industrial plants, environmental protection facilities, industrial equipment, construction machinery and steel structures
CKEM	May 21, 1997	Design, purchase, manufacture, sales and provision of maintenance and after-sale services of cement equipment

CONNECTED TRANSACTIONS

Transaction amounts during the Track Record Period

During the Track Record Period, the transaction amounts for transactions of such nature as mentioned below of our Group with Conch IID Shanghai, CV Investment, Conch Property Management, Kawasaki HI and CKEM are as follows:

<u>Name of connected person</u>	<u>Nature of transactions</u>	<u>Aggregate transaction amounts (RMB million)</u>			
		<u>For the year ended December 31,</u>			<u>For the</u>
		<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>six months</u>
				<u>ended</u>	
				<u>June 30,</u>	
				<u>2013</u>	
Conch IID Shanghai	Our Group's (i) purchase of parts and materials (such as steel pipes and welding wires);	58.5	74.9	60.5	28.7
	(ii) receiving export agency services	0.4	1.5	4.7	2.5
CV Investment	Our Group's leasing (as tenant) of office and staff quarter	2.1	2.5	2.9	1.7
Conch Property Management.	Our Group's receiving property management service for factories, office and staff quarters	1.3	1.4	1.4	0.7
Kawasaki HI	Our Group's (i) purchase of materials and products related to residual heat power generation;	21.7	13.1	18.1	0.7
	(ii) receiving design service and labour for technical assistance;	—	2.2	11.0	1.8
	(iii) sales of parts and products related to residual heat power generation	18.4	—	0.1	1.8
CKEM	Our Group's purchase of equipment, parts and materials (including heating machines and cooling machines)	19.8	43.7	14.1	0.6

CONNECTED TRANSACTIONS

Written Agreements

For the purpose of complying with Rule 14A.35 of the Listing Rules, our Group entered into written master agreement or supply agreements and four lease agreements and four property management services agreements with the above connected persons respectively. Principal terms of these agreements are summarized below:

(i) *Master Agreement for Conch IID Shanghai (“CIS Master Agreement”)*

<i>Date of master agreement</i>	December 3, 2013
<i>Parties</i>	(a) CK Engineering and CK Equipment on the one part, and (b) Conch IID Shanghai on the other part
<i>Types of goods and/or services rendered (Note)</i>	(i) purchases by our Group of equipment, parts and materials (including steel pipes and welding wire); and (ii) receiving export agency services in connection with custom clearance and liaison with export agents
<i>Contract period</i>	25 months from December 1, 2013 to December 31, 2015
<i>Determination of purchase price and other terms</i>	— For each order to be placed under the CIS Master Agreement to be sold by Conch IID Shanghai as principal, the purchase price or consideration, the quantity and specifications of parts and materials; and other relevant matters will be negotiated by the parties (on arm’s length basis and in good faith) with reference to the then prevailing market prices of similar products which may be sourced from other Independent Third Parties. — For each order to be placed under the CIS Master Agreement to be sold by Conch IID Shanghai as agent, the agency fee to be charged for each order will be based on 1.5% of the total purchase prices, which is within the range of currently prevailing agency fee charged by import-export agents.
<i>Payment term:</i>	— Regarding purchase of goods, payment to be settled upon delivery and satisfactory of goods inspection. — Regarding receiving of services, payment to be settled after delivery of service provision.
<i>Early termination:</i>	Our Group (but not Conch IID Shanghai) may, at any time during the contract term, give the other not less than three months’ prior written notice to terminate the agreement.

Notes:

1. The main reason for our Group to purchase equipment, parts and materials from Conch IID Shanghai instead of from Independent Third Parties is because our Directors consider that Conch IID Shanghai is experienced in international trading with wide client network, which could enable our Group to save resources and time in identifying counterparties and also to purchase the relevant materials at a reasonable cost.

CONNECTED TRANSACTIONS

2. The main reason for our Group to use the export agency services from Conch IID Shanghai instead of from independent third parties was because our Directors consider that its service is reliable and its service fee is reasonable.

(ii) *Lease and Property Management Services Agreements (“Lease & PM Agreements”)*

The table below sets out the lease agreements entered into by our Group members (as tenants) and CV Investment (as landlord):

	<u>Date of agreement</u>	<u>Tenant</u>	<u>Location of premises</u>	<u>Gross floor area (sq.m.)</u>	<u>Term of lease</u>	<u>Use</u>	<u>Annual rentals (RMB)</u>
1	July 1, 2013	CK Engineering	3/F Wuhu Conch International Convention Centre, No. 1011 Jiuhuashan Road, Wuhu City (“Premises A”)	~7,317	July 1, 2013 to June 30, 2015	Office	1.2 million
2	July 1, 2013	CV Investment (as lessor) CK Equipment	1/F Wuhu Conch International Convention Centre, No. 1011 Jiuhuashan Road, Wuhu City (“Premises B”)	~3,633	July 1, 2013 to June 30, 2015	Office	607,116
3	June 1, 2013	CK Engineering	3/F Block 8, and Block 9-11 Conch Youth Apartment Jiuhua South Road, Wuhu City (“Premises C”)	~2,361	June 1, 2013 to May 31, 2014	Staff quarters	368,316
4	June 1, 2013	CK Equipment	Premises C	~2,361	June 1, 2013 to May 31, 2014	Staff quarters	368,316

Note: For agreements numbered (1) and (2), rental payments shall be made on every six-month period; for agreements numbered (3) and (4), rental payments shall be made on a yearly basis.

With reference to the market data on rentals of similar properties in the locality as compiled by an independent property valuer, the historical amounts and annual caps of rentals paid and to be paid to CV Investment in connection with the properties under the above lease agreements are comparative to market level of similar properties in the locality and are fair and reasonable.

CONNECTED TRANSACTIONS

The table below sets out the property management service agreements:

	Date of agreement	Parties	Location of premises	Term of service agreement	Annual service fee (RMB)
5	July 1, 2013	CK Engineering (as service receiving party)	Premises A	July 1, 2013 to June 30, 2015	246,443
		CV Investment Wuhu International Convention Centre (蕪湖國際會議中心, “CV Investment WICC”), a branch company of CV Investment, and Conch Property Management (as service providers)			
6	July 1, 2013	CK Equipment (as service receiving party)	Premises B	July 1, 2013 to June 30, 2015	109,281
		CV Investment WICC and Conch Property Management (as service providers)			
7	May 30, 2013	Conch Property Management (as service provider)	Premises C	June 1, 2013 to May 31, 2014	56,664
		CK Engineering (as service receiving party)			
8	June 1, 2013	Conch Property Management (as service provider)	Premises C	June 1, 2013 to May 31, 2014	56,664
		CK Equipment (as service receiving party)			
9	January 1, 2013	Conch Property Management (as service provider)	Huolonggang Town, Yijiang District, Wuhu City	January 1, 2013 to December 31, 2013	1,277,799
		CK Equipment (as service receiving party)			

Note: For agreements numbered (5), (6) and (9), service fee payments shall be made on a quarterly basis; for agreements numbered (7) and (8), service fee payments shall be made on a yearly basis.

(iii) Supply agreements made by our Group with Kawasaki HI

Up to the Latest Practicable Date, our Group and Kawasaki HI entered into several agreements (together, the “Kawasaki Supply Agreements”), pursuant to which we have agreed for the year ending December 31, 2013 mainly (i) to supply to Kawasaki HI a coal grinding mill; (ii) to purchase from Kawasaki HI equipment and materials related to residual heat power; and (iii) to receive from Kawasaki HI design service and labour for technical assistance. Under the Kawasaki Supply Agreements, the aggregate contract sums in such connection for the year ending December 31, 2013 will not exceed RMB9.6 million.

Under the Kawasaki Supply Agreements, the purchase price or consideration, the quantity and specifications of the above types of goods and/or services concerned, the time and place of delivery of the relevant goods and services concerned and other relevant matters have been negotiated by the parties (on arm’s length basis and in good faith) with reference to the then prevailing market prices of similar products which may be sourced from other Independent Third Parties. No independent valuation would be conducted for price determination.

Generally, under the Kawasaki Supply Agreements, purchase price or consideration is to be settled on accrual basis, with a credit term of no more than one to three months, during which no interest will accrue.

CONNECTED TRANSACTIONS

(iv) Supply agreements made by our Group with CKEM

Up to the Latest Practicable Date, our Group and CKEM entered into several agreements (together, the “CKEM Supply Agreements”), pursuant to which we have agreed for the year ending December 31, 2013 mainly (i) to purchase pre-heaters from CKEM; and (ii) to purchase from CKEM other equipment, parts and materials for production of semi-finished or finished products for further sale. Under the CKEM Supply Agreements, the aggregate contract sums in such connection for the year ending December 31, 2013 will not exceed RMB30.3 million.

Under the CKEM Supply Agreements, the purchase price or consideration, the quantity and specifications of the above types of goods and/or services concerned, the time and place of delivery of the relevant goods and services concerned and other relevant matters have been negotiated by the parties (on arm’s length basis and in good faith) with reference to the then prevailing market prices of similar products which may be sourced from other Independent Third Parties.

Generally, under the CKEM Supply Agreements, payments are to be settled after delivery and satisfactory goods inspection.

Expected annual caps

Our Directors estimate that the annual transaction amount for the purchases of relevant goods and/or services under the CIS Master Agreement, the Kawasaki Supply Agreements, the CKEM Supply Agreements and the Lease and PM Agreements for the three years ending December 31, 2015 will not exceed the following annual caps set forth in the table below:

Name of connected person	Transactions/Agreement	Expected annual caps (RMB million) (“Annual Caps”) for the year ending December 31,		
		2013	2014	2015
(i) Conch IID Shanghai	Purchases and receiving services under CIS Master Agreement	64.5 ^{Note 1}	64.5 ^{Note 1}	64.5 ^{Note 1}
(ii) CV Investment and Conch Property Management	Lease & PM Agreements	4.3	4.3	4.3
(iii) Kawasaki HI	Kawasaki Supply Agreements	9.6 ^{Note 2}	—	—
(iv) CKEM	CKEM Supply Agreements	<u>30.3^{Note 3}</u>	—	—
	Aggregate Caps for (iii) and (iv):	<u><u>39.9</u></u>		

Notes:

1. The two main types of parts and components purchased are steel pipes and welding wire, which are used in connection with the Group’s abrasion resistant plate and resurfacing welding business and the production of residual heat burning boiler. The expected Annual Caps for the CIS Master Agreement are estimated based on the expected aggregate purchase prices required for these parts and components, which in turn are based on the following:

- (i) contracts on hand and also the target projects to be taken up in the fourth quarter of 2013, 2014 and 2015;
- (ii) historical volume of the parts and components (in particular, quantity of steel pipes and welding wire) required for similar projects, and hence the estimated volume for the implementation of such projects (the expected volume of steel pipes needed in 2014 and 2015 would be approximately 6,600 tons and the expected volume of welding wires needed in 2014 and 2015 would be approximately 1,100 tons);

CONNECTED TRANSACTIONS

- (iii) average price of steel pipes, welding wire and other types of parts and components prevailing in the first nine months of 2013;
- (iv) the trend and extent of change in average price of such types of parts and components from 2011 to 2013; and
- (v) we expect when the scale of our business grows in the coming years, we have greater bargaining power in price negotiation with suppliers. Therefore, we plan to diversify our supply sources from other suppliers if and when the annual purchase amount is close to RMB60 million in 2013, 2014 and 2015.

For our receiving of export agency services, having regard to the transactions in first three quarters of 2013, the expected annual transaction amount would not exceed RMB4.5 million. Despite we expect the scale of our business grows in the coming years, given our bargaining power would be greater following the expected growth, the expected annual transaction amount in respect of the export agency services would be RMB4.5 million for 2014 and 2015 as well.

2. The main reasons for the significant increase in annual cap for Kawasaki Supply Agreements in 2013 as compared to the historical amounts for the six months ended June 30, 2013 are: (i) our Group entered into an agreement to sell to Kawasaki HI a set of coal grinding mill (whose sale price is approximately RMB4.5 million) in the second half of 2013; and (ii) our Group expects to purchase certain equipments and materials related to residual heat power generation and to receive certain design service and labour for technical assistance from Kawasaki HI in the second half of 2013.
3. The main reasons for the significant increase in annual caps for CKEM Supply Agreements in 2013 as compared to the historical amounts for the six months ended June 30, 2013 are: (i) our Group entered into agreements to purchase from CKEM two sets of pre-heater (whose aggregate purchase prices are approximately RMB27.3 million) in the second half of 2013; and (ii) our Group expects to purchase from CKEM other equipment, parts and materials (with aggregate purchase prices of approximately RMB2.4 million) for production of semi-finished or finished products for further sales in the second half of 2013.

Generally, in determining the above Annual Caps, our Directors have considered:

- (i) the historical transaction amounts as set forth in the above paragraph headed "Transaction Amounts during the Track Record Period";
- (ii) the inflation rate of the PRC during the Track Record Period;
- (iii) the anticipated changes of market prices of the relevant goods and/or services under the CIS Master Agreement, the Lease and PM Agreements, the Kawasaki Supply Agreements and the CKEM Supply Agreements; and
- (iv) the expected business expansion of the Group in the future.

Aggregation of the continuing connected transactions

Kawasaki Supply Agreements and CKEM Supply Agreements

Since the continuing connected transactions in connection with the transactions contemplated under the Kawasaki Supply Agreements and CKEM Supply Agreements are to be entered into by our Group with parties associated with one another and are of similar nature, the continuing connected transactions under the Kawasaki Supply Agreements and CKEM Supply Agreement may be aggregated by the Stock Exchange under Rule 14A.26(1) of the Listing Rules. Accordingly, the annual caps under the Kawasaki Supply Agreements and CKEM Supply Agreements are aggregated, and such aggregate amount is used when calculating the applicable percentage ratios under Chapter 14 of the Listing Rules for the above continuing connected transactions.

CONNECTED TRANSACTIONS

Listing Rules Implications

In respect of the transactions under the CIS Master Agreement, the Annual Caps for each of the three years ending December 31, 2015 would not exceed RMB64.5 million, RMB64.5 million and RMB64.5 million, respectively. For each of the three years ending December 31, 2015, given that the highest applicable percentage ratio of the transactions under the CIS Master Agreement is expected to be more than 5%, but less than 25% and the annual consideration is not less than HK\$10 million, such transactions are subject to the reporting, announcement and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In respect of the transactions under the Lease & PM Agreement, the Annual Caps for each of the three years ending December 31, 2015 would not exceed RMB4.3 million, RMB4.3 million and RMB4.3 million, respectively. For each of the three years ending December 31, 2015, given that the highest applicable percentage ratio of the transactions contemplated under the Lease & PM Agreements is expected to be less than 5% but higher than 0.1%, such transactions are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In respect of the transactions under the Kawasaki Supply Agreements and CKEM Supply Agreements, the Annual Caps as aggregated for the year ending December 31, 2013 would not exceed RMB39.9 million. For the year ending December 31, 2013, given that the highest applicable percentage ratio of the transactions in connection with the transactions contemplated under the Kawasaki Supply Agreements and CKEM Supply Agreements is expected to be less than 5%, such transactions are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONFIRMATIONS

Directors' Confirmation

Our Directors (including our INEDs) confirm that the non-exempt continuing connected transactions described above have been entered into in the ordinary and usual course of our Group's business, on normal commercial terms or on terms no less favorable to our Company than those available from independent third parties, and are fair and reasonable and in the best interests of our Company and our Shareholders as a whole. In addition, our Directors (including our INEDs) further confirm that the proposed Annual Caps in respect of the above continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Sponsor's Confirmation

The Sponsor is of the view that (i) the non-exempt continuing connected transactions described above have been entered into in the ordinary and usual course of business of our Group and on normal commercial terms or on terms no less favorable to the Group than those available from independent third parties; and (ii) such transactions and the proposed Annual Caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CONNECTED TRANSACTIONS

WAIVER FROM THE STOCK EXCHANGE

On the above basis, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to the Company under Rule 14A.42(3) of the Listing Rules from compliance with the requirements under Rule 14A.47 to 14A.54 of the Listing Rules in respect of the above continuing connected transactions. We will, after Listing, comply with the relevant requirements under Chapter 14A of the Listing Rules, including but not limited to Rule 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules.

CONNECTED TRANSACTION EXEMPTED FROM REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

On July 16, 2013, HLGH Investment and our Company entered into a loan agreement, whereby HLGH Investment agreed to lend HK\$99.1 million to the Company (as shareholder's loan) for the purpose of paying up the registered capital of HK\$100 million in Conch Venture Green. The loan proceeds were paid to our Group on July 16, 2013. The loan to our Company does not carry any interest if it is fully repaid by July 31, 2014, and a 5% annual interest will be incurred after such date. It is a term of the loan agreement that the loan shall be fully repaid by our Company to HLGH Investment by March 31, 2015, but if our Company is listed before such date, the loan shall be fully repaid by our Company to HLGH Investment within 60 days from the date of Listing. Please refer to the section headed "Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Financial and administrative independence" for further details.

Under Rule 14A.65(4) of the Listing Rules, since the financial assistance provided by HLGH Investment (being a Connected Person) for the benefit of our Company on normal commercial terms (or better to our Company) where no security over the assets of our Company is granted in respect of the financial assistance, such connected transaction is exempt from the reporting, announcement and independent shareholders' approval requirements.

Directors' confirmation

Our Directors (including our INEDs) confirm that the connected transaction described above has been entered into on normal commercial terms or on terms no less favorable to the Company than those available from Independent Third Parties, and is fair and reasonable and in the best interests of our Company and our Shareholders as a whole.

CONTINUING CONNECTED TRANSACTION EXEMPTED FROM REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Kawasaki RH Licensing Agreement

On February 8, 2007, CK Engineering and Kawasaki Partner entered into a technical licensing agreement (as supplemented by supplementary agreements dated September 27, 2010, September 25, 2008 and August 7, 2013) (collectively, the "Kawasaki RH Licensing Agreement"), whereby Kawasaki Partner granted CK Engineering an exclusive license for technology knowhow in respect of residual heat power generation systems and for the use of technical information such as drawings and technical data calculation software in China. The original licensing fee was RMB22 million, in which RMB6 million was paid to Kawasaki Partner before the Track Record Period. In connection with certain arrangements made for supply of the technical supporting staff between the parties in 2010 which lowered the labour cost incurred by Kawasaki Partner, they agreed to reduce the licensing fee to RMB13.2 million, and having taken into the said RMB6 million paid, the then outstanding royalty fees amounted to RMB7.2 million. In another project carried out by Kawasaki Partner and CK Engineering together, RMB3.6 million

CONNECTED TRANSACTIONS

became payable by Kawasaki Partner to CK Engineering in 2010. As a result, the parties agreed such amount payable in the sum of RMB3.6 million by Kawasaki Partner to CK Engineering be settled through reducing the outstanding consideration under the Kawasaki RH Licensing Agreement from RMB7.2 million to RMB3.6 million.

Subsequently, royalty fees of RMB1.2 million were paid by CK Engineering to Kawasaki Partner during each of the three years ended December 31, 2012. Since then there was no outstanding royalty fees in respect of the Kawasaki RH Licensing Agreement. The license is valid until October 15, 2026.

Since all the royalty fees in respect of the Kawasaki RH Licensing Agreement were fully paid by CK Engineering to Kawasaki HI (a Connected Person) by December 31, 2012 no royalty fees are payable on or after January 1, 2013 until the expiry of such agreement which will (after the Listing) be such category of continuing connected transaction which is exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3) of the Listing Rules.

Kawasaki VM Licensing Agreement

On April 7, 2008, CK Equipment and Kawasaki Partner entered into a technical licensing agreement (the "Kawasaki VM Licensing Agreement"), whereby Kawasaki Partner granted CK Equipment an exclusive license for technology knowhow in respect of vertical mill and for the use of technical information such as drawings and technical data calculation software in China. Such license is granted from Kawasaki Partner to CK Equipment as royalty-free and is valid until September 21, 2027.

Since no royalty fees shall be paid by CK Equipment to Kawasaki HI (a Connected Person) in respect of the license during the term of the Kawasaki VM Licensing Agreement, such continuing connected transaction is exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3) of the Listing Rules.

Directors' confirmation

Our Directors (including our INEDs) confirm that the continuing connected transactions described above have been entered into in the ordinary and usual course of our Group's business, on normal commercial terms or on terms no less favorable to the Company than those available from Independent Third Parties, and are fair and reasonable and in the best interests of our Company and our Shareholders as a whole.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. Our Board consists of three executive Directors, one non-executive Director and three INEDs.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of first becoming a Director/ Date of joining our Group</u>	<u>Role and responsibilities</u>
Mr. GUO Jingbin (郭景彬)	55	Non-executive Director and Chairman of the Company	June 24, 2013/ December 2009	Overall strategic development of our Group; attending meetings and participating in decision-making processes of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations
Mr. JI Qinying (紀勤應)	57	Executive Director and Chief Executive Officer	July 18, 2013/ October 2007	Day-to-day management of our business operations
Mr. LI Jian (李劍) . . .	52	Executive Director and Deputy General Manager	July 18, 2013/ March 2011	Strategic development of our Group and general operation of Conch Venture Green
Mr. LI Daming (李大明)	48	Executive Director and Deputy General Manager	July 18, 2013/ December 2006	Energy preservation and environmental protection business including residual heat power generation and waste incineration projects, general operation of CK Engineering and CK Equipment
Mr. CHAN Chi On (alias Mr. Derek CHAN) (陳志安) . .	50	INED	December 3, 2013	See note below
Mr. CHAN Kai Wing (陳繼榮)	52	INED	December 3, 2013	See note below
Mr. LAU Chi Wah, Alex (劉志華)	50	INED	December 3, 2013	See note below

Note: Each INED will participate in meetings of the Board to bring an independent judgment to bear on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required; taking the lead where potential conflicts of interest arise and serving on the Audit Committee and the Remuneration and Nomination Committee (as the case may be).

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Non-executive Director

Mr. GUO Jingbin (郭景彬), aged 55, is a non-executive Director and the Chairman of our Company. Mr. Guo is primarily responsible for overall strategic development of our Group; attending meetings and participating in decision-making processes of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations. Mr. Guo graduated from Shanghai Construction Materials College and joined the predecessor of Conch Cement Group in 1980. In July 1998, Mr. Guo received a Master of Business Administration degree from the Post-graduate College of the Social Science Institute of China (中國社會科學院).

Mr. Guo joined our Group in December 2009. Mr. Guo held various mid to senior managerial positions including head of automatic measurement department, head of personnel department and deputy plant manager of the former Ningguo Cement Plant and the secretary to the board of and deputy general manager of Conch Cement. He has over 30 years' experience in the building materials industry specializing in corporate strategic planning, marketing planning and general and administration management. He has been a director of CV Investment since February 2011. During such period, he has been given with the powers and responsibilities to oversee the business strategy and direction and operations of CK Engineering, CK Equipment, HC Port and also the Conch Cement Group. He has become the general manager of CV Investment since May 2013. He has extensive experience in capital markets.

Mr. Guo has been an executive director of Conch Cement since October 1997 and a director of Conch Holdings since January 1997.

Prior to joining our Group, Mr. Guo worked or assumed offices (as the case may be) in the following companies or entities:

<u>Period of time</u>	<u>Name of entity</u>	<u>Major offices</u>	<u>Principal functions</u>
February 1980 to September 1996 . . .	Ningguo Cement Plant (寧國水泥廠)	Head of automatic measurement department, head of personnel department and deputy plant manager	Measurement management, automated equipment management, general administration and management
December 1994 to October 2005	Wuhu Conch Plastic Profiles Co. Ltd. (蕪湖海螺塑料型材 有限公司)	General manager, chairman	Overseeing general operations
September 1997 to August 2000.	Conch Cement	Secretary to the board and deputy general manager	Information disclosure, investor relation management
October 1997 till now .	Conch Cement	Executive director	Overseeing general operation
January 1997 till now .	Conch Holdings	Director	Overseeing securities matters
January 1997 to May 2013	Conch Holdings	Deputy general manager	Overseeing securities matters
January 2001 till now .	Ningbo Conch Cement Co., Ltd. (寧波海螺水泥有限公司)	Director	Overseeing general operation
February 2006 till now .	Yingde Conch Cement Co., Ltd. (英德海螺水泥有限責任 公司)	Director	Overseeing general operation

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

<u>Period of time</u>	<u>Name of entity</u>	<u>Major offices</u>	<u>Principal functions</u>
May 2008 till now	Wuhu Conch Hotel	Director	Overseeing general operation

As at the Latest Practicable Date, Mr. Guo was a SA Member Beneficiary of SA Conch Group, which was controlled by Mr. Liu Yi (a Controlling Shareholder) in the capacity of the SA Manager of SA Conch Group.

Please also see the paragraph headed “Directors, Senior Management and Employees — Directors — Administrative sanction decision of CSRC in relation to certain securities trading incident of Conch Holdings prior to the Track Record Period”.

Executive Directors

Mr. Ji Qinying (紀勤應), aged 57, is an executive Director and has served as the Chief Executive Officer of our Company. He joined our Group in October 2007. He is primarily responsible for day-to-day management of our Group's business operations. He is also a director of CK Engineering and CK Equipment. Mr. Ji graduated from Shanghai Construction Materials College majoring in industrial electrical automatization in February 1980 and from Beijing Institute of Economic Management majoring in Economic Management through long distance learning in December 1989.

Mr. Ji joined the predecessor group of Conch Cement in 1980. He held various leading positions including deputy plant operating director of the former Ningguo Cement Plant, deputy general manager of Tongling Conch, and chairman of Conch Profiles. Mr. Ji has been a director of CV Investment since November 2002 and has since then been given the powers and responsibilities to oversee the business strategy and direction and operations of CK Engineering, CK Equipment, HC Port and also the Conch Cement Group. He has become the general manager of CV Investment since May 2013. Mr. Ji has over 30 years' experience in the building materials industry specializing in project investment, construction management, market development, production, general operation and industrial management.

Mr. Ji was an executive director of Conch Cement from December 2009 to November 2013. He resigned from such office in November 2013 on his own volition, in order to devote his full attention and time to our Group.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Prior to joining our Group, Mr. Ji worked or assumed offices (as the case may be) in the following companies or entities:

<u>Period of time</u>	<u>Name of entity</u>	<u>Major offices</u>	<u>Principal functions</u>
February 1980 to December 1993	Ningguo Cement Plant (寧國水泥廠)	Deputy plant operating director	Plant equipment management
September 1995 to December 1996	Anhui Tongling Conch Cement Co., Ltd. ("Tongling Conch")	Deputy general manager	Strategic planning and development
June 1997 to May 2005	Conch Cement	Supervisor	Supervising board business
June 2008 to August 2009	Conch Cement	Head of development department	Market development
October 2009 to May 2013	Conch Cement	General manager	Production and general operation
December 2009 to November 2013	Conch Cement	Executive director	Overseeing general operations
September 2000 to May 2013	Conch Holdings	Deputy general manager	Market development
June 2003 to April 2008	Conch Profiles	General manager	Production and general operation
April 2008 to November 2009	Conch Profiles	Chairman	Presiding over board meeting and business
November 2002 till now	CV Investment	Director	Overseeing general operations
May 2013 till now	CV Investment	General manager	Day-to day management

As at the Latest Practicable Date, Mr. Ji was a SA Member Beneficiary of SA Conch Group, which was controlled by Mr. Liu Yi (a Controlling Shareholder) in the capacity of the SA Manager of SA Conch Group.

Please also see the paragraph headed "Directors, Senior Management and Employees — Directors — Administrative sanction decision of CSRC in relation to certain securities trading incident of Conch Holdings prior to the Track Record Period".

Mr. Li Jian (李劍), aged 52, is an executive Director and a Deputy General Manager of our Company. He joined our Group in March 2011. He is primarily responsible for strategic development of our Group and general operation of Conch Venture Green. He is also a director of Conch Venture Green. He graduated from Anhui Broadcast and Television University (安徽廣播電視大學) majoring in electrical engineering in July 1994.

Mr. Li Jian joined a member of the Anhui Conch Group in 1995, and joined our Group in 2011 and was a director of CK Equipment from March 2011 to March 2012. During the period from February 2011 to March 2012, he was an assistant to general manager of CV Investment.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

He has also been a director and deputy general manager of CV Investment since May 2013. He has nearly 20 years' experience in the building materials industry with specializing in market development, sales network development and management, building materials production and corporate management. He also has extensive experience in the production and operation management in the new building materials industry.

Mr. Li Jian worked or assumed offices (as the case may be) in the following companies or entities:

<u>Period of time</u>	<u>Name of entity</u>	<u>Major offices</u>	<u>Principal functions</u>
February 1995 to December 1996	Conch Profiles	Deputy general manager	Production management
February 1997 to June 2003; April 2008 to February 2011	Conch Profiles	General manager	Overseeing general operations
March 2000 to February 2011	Conch Profiles	Director	Overseeing general operations
February 2003 to March 2011	Yingde Conch Profiles Co. Ltd. (英德海螺型材有限公司)	General manager, chairman	Overseeing general operations
October 2005 to March 2011	Ningbo Conch Plastic Profiles Co. Ltd. (寧波海螺塑料型材有限公司)	Chairman and general manager	Overseeing general operations

As at the Latest Practicable Date, Mr. Li was a SA Member Beneficiary of SA Conch Group, which was controlled by Mr. Liu Yi (a Controlling Shareholder) in the capacity of the SA Manager of SA Conch Group.

Mr. LI Daming (李大明), aged 48, is an executive Director and a Deputy General Manager of our Company. He is also a director of CK Equipment and CK Engineering. He is primarily responsible for energy preservation and environmental protection business including residual heat power generation and waste incineration projects, general operation of CK Engineering and CK Equipment. He graduated from Anhui Mechanical and Electrical College (安徽機電學院) majoring in manufacture of electrical equipment in July 1986.

Mr. Li Daming joined our Group in December 2006 and has been a director of CK Equipment since September 2007, a director of CK Engineering since November 2006 and deputy general manager of CK Engineering since December 2006.

Prior to joining our Group, Mr. Li Daming worked or assumed offices (as the case may be) in the following companies or entities:

<u>Period of time</u>	<u>Name of entity</u>	<u>Major offices</u>	<u>Principal functions</u>
July 1986 to February 2001	Ningguo Cement Plant (寧國水泥廠)	Deputy plant operating director	Equipment management
February 2001 to January 2007	Conch Cement	Deputy head of equipment department	Equipment management

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Li has nearly 20 years' experience in the building materials industry specializing in plant operation and, equipment and plant system management. He has extensive experience in residual heat power generation and has established good cooperation relationship with Kawasaki HI in developing the residual heat power generation business.

As at the Latest Practicable Date, Mr. Li was a SA Member Beneficiary of SA Conch Group, which was controlled by Mr. Liu Yi (a Controlling Shareholder) in the capacity of the SA Manager of SA Conch Group.

Independent non-executive Directors

Mr. CHAN Chi On (陳志安) (alias Derek CHAN), aged 50, was appointed as an INED with effect from December 3, 2013. Mr. Chan has more than 20 years of experience in financial services industry and is a co-author of a book on listing procedures and securities rules and regulation in Hong Kong. Mr. Chan is currently the chairman of Halcyon Capital Limited and Halcyon Securities Limited engaging in corporate finance and securities businesses in Hong Kong respectively. He graduated from the University of Hong Kong in 1985 with a Bachelor degree in Social Sciences (majoring in Economics) and from the Hong Kong University of Science & Technology in 1994 with a Master degree in Business Administration. He is currently an Adjunct Professor at the School of Accounting and Finance at the Hong Kong Polytechnic University. Mr. Chan is the INED who has the qualifications and experience (as mentioned above) to meet the requirements under Rule 3.10(2) of the Listing Rules.

As at the Latest Practicable Date, Mr. Chan was also an INED of Longfor Properties Co. Ltd. (stock code: 960) and of Yuexiu REIT Asset Management Ltd., manager to Yuexiu Real Estate Investment Trust (stock code: 405), both of which are listed companies in Hong Kong. He is the chairman of the audit committee of Longfor Properties Co. Ltd. and a member of the audit committee of Yuexiu REIT Asset Management Ltd., and is responsible for reviewing and analyzing their financial statements so as to monitor their operation and financial performance.

Mr. Chan has extensive experience in the financial industry, he worked or assumed offices (as the case may be) in the following companies or entities:

<u>Period of time</u>	<u>Name of entity</u>	<u>Major offices</u>	<u>Principal functions</u>
August 1989 to November 1996 . . .	Stock Exchange	Senior manager	Reviewing listing applications for initial public offerings and listed companies' fund-raising and mergers and acquisitions activities
November 1996 to December 2012 . . .	The group comprising Haitong International Securities Group Limited (previously known as Taifook Securities Group Limited) and Haitong International Capital Limited (previously known as Taifook Capital Limited)	Executive director of Haitong International Securities Group Limited and managing director of Haitong International Capital Limited	As a board member to oversee various businesses of the listed company

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

As of the Latest Practicable Date and in the three years preceding that date, Mr. Chan held directorship in the following listed companies:

<u>Name of listed issuer</u>	<u>Place of listing</u>	<u>Office and principal functions (if an executive director)</u>
Yuexiu Real Estate Investment Trust (stock code: 405)	Hong Kong	INED of its manager, Yuexiu REIT Asset Management Ltd.
Longfor Properties Co. Ltd. (stock code: 960)	Hong Kong	INED
Haitong International Securities Group Limited (stock code: 665)	Hong Kong	Executive director (resigned with effect from January 1, 2013)
Sheng Yuan Holdings Limited (stock code: 851)	Hong Kong	INED (resigned with effect from July 12, 2012)

Mr. CHAN Kai Wing (陳繼榮), aged 52, was appointed as an INED on December 3, 2013. Mr. Chan is currently the managing director of Mandarin Capital Enterprise Limited, a company Mr. Chan founded in 2004 and is specialized in providing financial advisory services to companies in the area of accounting services, merger and acquisition, corporate restructuring, and other corporate finance matters. Mr. Chan obtained a bachelor degree of economics from Macquarie University in Sydney, Australia in April 1986 and is a fellow member of CPA Australia. From 1988 to 1991, Mr. Chan worked in the audit department of Ernst & Young in Hong Kong. Mr. Chan is an INED of China Assurance Finance Group Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 8090) from December 2011 to present.

From 1988, he worked or assumed offices (as the case may be) in the following companies or entities:

<u>Period of time</u>	<u>Name of entity</u>	<u>Major offices</u>	<u>Principal functions</u>
1988 to 1991	Ernst & Young	Audit supervisor	Audit
1991 to 1999	Shenzhen China Bicycle Company (Holdings) Limited (a company listed on Shenzhen Stock Exchange)	Finance controller	Overseeing financial matters
2005 till now	Mandarin Capital Enterprise Limited	Managing director	Financial advisory

Mr. LAU Chi Wah, Alex (劉志華), aged 50, was appointed an INED with effect from December 3, 2013. Mr. Lau has over 25 years of experience in the field of corporate finance and accounting in managing initial public offerings and fund-raising exercises and advising listed companies on mergers and acquisitions, takeovers, buyouts and other corporate transactions. He is currently the managing director of corporate finance with Crosby Securities Limited engaging in securities dealing, assets management and corporate finance. Mr. Lau is an associate of the Institute of Chartered Accountants in England and Wales since June 1988 and an associate of Hong Kong Institute of Certified Public Accountants since 1990. He graduated from the University of East Anglia in the United Kingdom in July 1984 with a degree of Bachelor of Science. He also obtained Corporate Finance Qualification from the Institute of Chartered Accountants in England and Wales in 2006.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lau started his full-time work in September 1984. From then on, he worked or assumed offices (as the case may be) in the following companies or entities:

<u>Period of time</u>	<u>Name of entity</u>	<u>Major Offices</u>	<u>Principal functions</u>
April 1988 to June 1989. . . .	Ernst & Young, Hong Kong	Audit Senior	Auditing
July 1989 to July 1993.	Stock Exchange	Manager of compliance division and senior manager of listing division	Regulatory responsibilities over Hong Kong listed companies through administration of the Listing Rules; involved in reviewing and approving new listing applications in accordance with the Listing Rules
August 1993 to December 2001.	DBS Vickers Securities (HK) Limited (formerly Vickers Ballas Capital Limited)	Senior manager, associate director and director	Managing initial public offerings and fund raising exercises and advising listed companies on mergers and acquisitions, takeovers, buyouts and other corporate transactions
January 2002 to February 2004 .	DBS Asia Capital Limited	Director and managing director	Principal supervisor responsible for the mergers and acquisitions advisory business in Hong Kong and the PRC and advising listed companies on mergers and acquisitions, takeovers, buyouts and other corporate transactions
February 2004 to July 2013	CIMB Securities Limited	Director, corporate finance, HK and head of financial advisory	Principal supervisor responsible for the business in Hong Kong ranging from initial public offerings and advising listed companies on mergers and acquisitions, takeovers, and other corporate transactions

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

<u>Period of time</u>	<u>Name of entity</u>	<u>Major Offices</u>	<u>Principal functions</u>
August 2013 till now	Crosby Securities Limited	Managing director, corporate finance	Responsible for the overall business development in Hong Kong and the PRC ranging from initial public offerings and fund raising exercises and advising listed companies on mergers and acquisitions, takeovers, buyouts and other corporate transactions

As of the Latest Practicable Date and in the three years preceding that date, Mr. Lau held directorship in the following listed company:

<u>Name of listed issuer</u>	<u>Place of listing</u>	<u>Office and principal functions</u>
Man Sang International Limited (民生國際有限公司, Stock Code: 00938)	Hong Kong	INED

Directorship and/or other offices of our Directors in the Anhui Conch Group

In connection with the Anhui Conch Group, the following table sets out our executive Directors and non-executive Director, as well as their respective positions held in the Anhui Conch Group:

<u>Name</u>	<u>Position held in our Company</u>	<u>Key position held in Anhui Conch Group</u>
Guo Jingbin	Non-executive Director	A director of each of Conch Holdings, Yingde Conch Cement Co., Ltd. (英德海螺水泥有限責任公司) and Ningbo Conch Cement Co., Ltd. (寧波海螺水泥有限公司) (both being subsidiaries of Conch Cement), and a director of Wuhu Conch Hotel
Ji Qinying	Executive Director	Director of Conch Holdings and a director of Conch IT Engineering
Li Jian	Executive Director	Not applicable
Li Daming	Executive Director	Not applicable

Administrative sanction decision of CSRC in relation to certain securities trading incident of Conch Holdings prior to the Track Record Period

In March 2011, an administrative sanction decision was made by CSRC against (among other parties) Conch Holdings, SA Conch Group, 安徽海螺建材股份有限公司 (Anhui Conch Building Materials Co., Ltd. (“Conch Building Materials”), a then subsidiary of Conch Holdings) and Mr. Zhu Zhongping (the chief accountant of our Company). In such decision, CSRC found

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

that Conch Holdings, SA Conch Group and Conch Building Materials carried out securities transactions under the accounts of certain third parties who were individual persons from June 1998 to October 2007 (“Securities Trading Incident”). Under the Article 74 of the former PRC Securities Law (having effect from July 1999 to January 2006) and Article 80 of the PRC Securities Law then prevailing during such period, legal persons were not allowed to trade securities through the accounts opened in the name of individual persons or third parties.

As background, the Securities Trading Incident started in June 1998 when the former PRC Securities Law had not been promulgated. The former PRC Securities Law were promulgated in end of December 1998 and became effective in July 1999. As it is the first securities law of the PRC and there were no detailed implementation rules, and hence the implementation of the various restrictions were unclear. Further amendments were made to the PRC Securities Law in January 2006 and the CSRC also strengthened the supervision and guidance of securities transactions in the PRC in January 2007 by issuing “指導證券公司客戶交易結算資金第三方存管的內部工作指引(第1號)—賬戶清理” (Internal Working Guidance to Securities Companies about Settlement of Third Party Funds under Custody in connection with Client Securities Transactions). Although Conch Holdings, SA Conch Group and Conch Building Materials had continued to deal in securities listed in the PRC through the accounts of some individual since 1998, following the issue of the said guidance in 2007, Conch Holdings, SA Conch Group and Conch Building Materials took steps to close all securities accounts opened in the name of other parties and ceased all non-compliance practices in October 2007. Following that, these entities have observed all the relevant requirements.

In connection with the Securities Trading Incident, CSRC ruled that income of approximately RMB6.8 million gained by Conch Holdings and RMB11.5 million gained by SA Conch Group arising from the Securities Trading Incident be confiscated. Conch Building Materials was ruled to have the income of approximately RMB5.9 million gained arising from the Securities Trading Incident be confiscated, and was also fined a sum of RMB500,000. Mr. Zhu Zhongping (currently the chief accountant of our Company) was then the officer then responsible for securities trading affairs of the said companies and he was fined a sum of RMB100,000. As advised by the PRC legal advisors to the Company and confirmed by our Directors, the above matter has concluded and no further penalty would be imposed upon the parties concerned.

During the period from June 1998 to October 2007, Mr. Guo Jingbin was a director of Conch Holdings and Conch Building Materials and Mr. Ji Qinying was the deputy general manager of Conch Holdings. They were not subject to any penalty or sanction imposed by CSRC in connection with the Securities Trading Incident.

The Company and the Directors consider that Messrs. Ji and Guo are suitable for acting as a Director notwithstanding that Conch Holdings was subject to an administrative sanction imposed by CSRC in connection with the Securities Trading Incident as neither of them were subject to any penalty, sanction, cold-shoulder order or order imposed by the PRC not to be directors, supervisors or senior management of companies listed in the PRC or their subsidiaries or holding companies.

In connection with the Securities Trading Incident, Mr. Zhu Zhongping was fined for a sum of RMB100,000 on the ground that he was the officer responsible for securities-related matters of Conch Holdings, Conch Building Materials and SA Conch Group.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

General

Please refer to the section headed “Statutory and General Information — Further Information about our Directors and Substantial Shareholders — Disclosure of Interests — Interests of the Directors and the chief executive of our Company” in Appendix V to this prospectus for details of the Directors’ interests in the Shares of our Company (within the meaning of Part XV of the SFO).

Save as disclosed in this section, the section headed “History, Development and Reorganization — Reorganization — 6. Establishment of the SA BVI Trusts”, the section headed “Business — Our competitive strengths — Dedicated and highly experienced management team” and the section headed “Further Information about our Directors and Substantial Shareholders — Disclosure of Interests — Interests of the Directors and the chief executive of our Company” in Appendix V to this prospectus, none of our Directors:

- (i) held other positions in our Group or our Investment Assets as at the Latest Practicable Date;
- (ii) had any other relationship with any Directors, senior management or substantial Shareholder or Controlling Shareholder of our Company as at the Latest Practicable Date; and
- (iii) held any other directorships in listed public companies in the last three years prior to the Latest Practicable Date.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Wang Xuesen (汪學森), aged 49, is a director of HC Port and a deputy general manager of our Company. He is primarily responsible for general operation of HC Port. He graduated from Anhui Finance and Trade College (安徽財貿學院), majoring in statistical science in May 1988. He also obtained a Master of Business Administration from Shanghai Shipping College (上海海運學院) in September 2003.

Mr. Wang joined our Group in 2006 and has since then been the general manager of HC Port. He is also the deputy general manager of CV Investment. Prior to joining our Group, Mr. Wang worked or assumed offices (as the case may be) in the following companies or entities:

<u>Period of time</u>	<u>Name of entity</u>	<u>Major offices</u>	<u>Principal functions</u>
July 1998 to April 2000	Conch Holdings	Assistant to manager, export department	Export and import coordination
April 1999 to May 2008	Shanghai Conch Building Materials International Trading Co. Ltd. (上海海螺建材國際貿易公司)	Assistant to manager, storage and delivery department; assistant to general manager; deputy general manager	Inventory storage and logistics coordination

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

<u>Period of time</u>	<u>Name of entity</u>	<u>Major offices</u>	<u>Principal functions</u>
March 2000 to May 2004	Ningbo Export Processing Zone Conch Trading Co. Ltd. (寧波保 稅區海螺貿易公司)	Deputy general manager	Overseeing general operations
May 2003 to May 2011	Wuhu Conch Logistics Co. Ltd. (蕪 湖海螺物流有限公司)	General manager	Overseeing general operations
April 2007 to September 2011.	Guangdong Yinglong Logistics Co. Ltd. (廣東英龍物流有限公司)	Chairman	Overseeing board business
June 2009 to April 2010	Shanghai Conch International Trading Co. Ltd. (上海海螺國際貿易公司)	General manager	Overseeing general operations
May 2008 to September 2011.	Wuhu Conch Logistics Co. Ltd. (蕪湖海螺物流有限公司)	Chairman	Overseeing board business

Mr. ZHU Zhongping (朱忠平), aged 56, is the chief accountant of our Company. He is primarily responsible for financial reporting and head of finance department of our Company. He graduated from Anhui Finance College (安徽省財政學校) majoring in finance in February 1980.

Mr. Zhu participated in the management of our Group in December 2009. Mr. Zhu has been a director of CV Investment since February 2011 and has since then been given with the powers and responsibilities to oversee the business strategy and direction and operations of CK Engineering, CK Equipment, HC Port and also the Conch Cement Group.

Prior to joining our Group, Mr. Zhu worked or assumed offices (as the case may be) in the following companies or entities:

<u>Period of time</u>	<u>Name of entity</u>	<u>Major offices</u>	<u>Principal functions</u>
January 1997 to July 1999	Conch Cement	Head of finance department	Financial system management
September 2000 to May 2004	Conch Cement	Supervisor	Supervision of general operation
July 1999 to April 2010	Conch Holdings	Deputy chief accountant, head of finance department	Financial system management
May 2002 to March 2011	Tongling Conch	Financial controller	Financial system management
November 2004 to March 2011	Tongling Conch	Chairman	Overseeing board business

Mr. Zhu is a former Director. He was appointed as Director on July 18, 2013 and resigned on October 28, 2013, and there is no disagreement between him and the Board in connection with his resignation.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

As at the Latest Practicable Date, Mr. Zhu was a SA Member Beneficiary of SA Conch Group, which was controlled by Mr. Liu Yi (a Controlling Shareholder) in the capacity of the SA Manager of SA Conch Group, which in turn held approximately 82.93% equity interest in CV Investment. XYY Investment Shanghai was held as to 75% equity interest by CV Investment and as to 25% by Mr. Zhu, and thus Mr. Zhu is a substantial shareholder of a company controlled by Mr. Liu Yi (a Controlling Shareholder).

Please also see the paragraph headed “Directors, Senior Management and Employees — Directors — Administrative sanction decision of CSRC in relation to certain securities trading incident of Conch Holdings prior to the Track Record Period”.

JOINT COMPANY SECRETARIES

Mr. SHU Mao (疏茂), aged 27, was appointed as our joint company secretary on December 3, 2013. He graduated from Anhui Engineering Science College (安徽工程科技學院) majoring in business administration in 2008. He is the assistant to manager of the office of the board of directors of Conch Holdings and assistant manager of the office of general manager of CV Investment.

Prior to joining our Group, Mr. Shu worked or assumed offices (as the case may be) in the following companies or entities:

<u>Period of time</u>	<u>Name of entity</u>	<u>Major offices</u>	<u>Principal functions</u>
February 2008 to June 2009	Tongling Conch	Administration Officer	Officer Administration
June 2009 to July 2011	Conch Holdings	Officer in general manager office	Officer Administration

Ms. NG Sin Yee, Clare, aged 53, is our other joint company secretary (who has been appointed by our Board and who has been so nominated by Tricor Services Limited under an engagement letter made between our Company and Tricor Services Limited, pursuant to which Tricor Services Limited has agreed to provide certain corporate secretarial services to our Company). Ms. Ng is a director of the Corporate Services Department of Tricor Services Limited. Ms. Ng is a Fellow of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Before joining the group comprising Tricor Services Limited, Ms. Ng has worked in the Company Secretarial Department of Secretaries Limited, a professional service company wholly owned by Deloitte Touche Tohmatsu. Ms. Ng has more than 27 years of experience in company secretarial field and has been providing corporate services to both multi-national companies and listed companies in Hong Kong. Ms. Ng is currently the company secretary of Mongolian Mining Corporation (stock code: 975).

Human Resources

Our Group maintains good employee relations. Our Group has not experienced any significant problems with the recruitment or retention of experienced employees. In addition, it has not suffered from any material disruption of its normal business operations as a result of labor disputes or strikes. The remuneration payable to our employees includes salaries and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

allowances. As of June 30, 2013, we had approximately 748 employees, all of whom are located in the PRC. The following table shows a breakdown of our employees by function as of June 30, 2013.

Functions	Number
Production and operation	624
Management	60
Finance and administration	17
Other	47
Total:	<u>748</u>

Benefits and Social Insurance

As required by the PRC regulations on social insurance, our Group participates in the social insurance schemes operated by the relevant local government authorities which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance.

Remuneration Policy

The aggregate amounts of remuneration of our Directors for the three years ended December 31, 2012 and the six months ended June 30, 2013 were RMB0.53 million, RMB0.59 million, RMB0.55 million and RMB0.26 million, respectively. Details of the arrangement for remuneration are set out in Note 9 in the Accountants' Report" set out in Appendix I to this prospectus. Under such arrangement and pursuant to the Directors' service agreements and letters of appointment referred to in the sub-paragraph headed "Directors' service contracts" under "Further Information about our Directors and Substantial Shareholders" of Appendix V to this prospectus, the aggregate amount of Directors' fee and other emoluments payable to the Directors for the year ending December 31, 2013 is estimated to be approximately RMB2.9 million, excluding any discretionary bonuses.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. Our Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Company or executing their functions in relation to its operations. Our Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management.

Our Company adopted the Share Option Scheme to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group.

After Listing, the remuneration committee of our Company will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by the Company to, or received by, our Directors as an inducement to join or upon joining the Company.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD COMMITTEES

The audit committee and the remuneration and nomination committee of the Company were approved to be established by resolutions passed by our Board on December 3, 2013. The membership of such committees are as follows:

<u>Name of Director</u>	<u>Audit Committee</u>	<u>Remuneration and Nomination Committee</u>
<i>Non-executive Director</i>		
Mr. GUO Jingbin	Not applicable	Not applicable
<i>Executive Directors</i>		
Mr. JI Qinying	Not applicable	Member
Mr. LI Daming	Not applicable	Not applicable
Mr. LI Jian	Not applicable	Not applicable
<i>INEDs</i>		
Mr. CHAN Chi On (alias Derek Chan)	Chairman	Member
Mr. CHAN Kai Wing	Member	Member
Mr. LAU Chi Wah, Alex.	Member	Chairman

Each of the above two committees has written terms of reference. The functions of the above two committees are summarized as follows:

Audit Committee

Our Company has written terms of reference in compliance with Code C.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee of our Company are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and material and provide advice in respect of financial reporting and oversee the internal control procedures of our Company.

Remuneration and Nomination Committee

Our Company has written terms of reference in compliance with Code A.5 and Code B.1 the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary functions of the Remuneration and Nomination Committee of our Company are to (i) make recommendation to our Board on the overall remuneration policy and the 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; and (ii) to review the structure, size and composition (including the skills, knowledge and experiences) of our Board at least annually and make recommendation to our Board on any proposed changes to our Board to complement the Company's corporate strategy; identify individuals suitably qualified as potential board members and select or make recommendations to our Board on the selection of individuals nominated for directorships; to assess the independence of INEDs; and make recommendations to our Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of the chairman and the chief executive officer/general manager.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

CORPORATE GOVERNANCE

Our Directors recognize the importance of incorporating elements of good corporate governance in management and internal control procedures so as to achieve effective accountability.

In accordance with the requirements of the Listing Rules, our Company has established the audit committee. Our Company has adopted a system of corporate governance.

Our Company is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including INEDs, the number of which should make up at least one-third of our Board) so that there is a strong independent element on our Board, which can effectively exercise independent judgment. Our Company is also committed to the view that the INEDs should be of sufficient caliber and number for their views to carry weight. Our INEDs are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment.

COMPLIANCE ADVISOR

Our Company has appointed First Shanghai Capital Limited as its compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise our Company in the following circumstances:

- (i) (before its publication) any regulatory announcement, circular or financial report;
- (ii) a transaction is contemplated, which might be a notifiable or connected transaction or may involve Share issues or Share repurchases;
- (iii) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or if our Company's business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes any inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the compliance advisor shall commence on the Listing Date and end on the date of despatch of our Group's annual report in respect of its financial results for the first full financial year commencing after the Listing Date. Such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name</u>	<u>Number of Shares (Note 1)</u>	<u>Approximate percentage of shareholding</u>	<u>Capacity/nature of interest</u>
HLGH PTC (<i>Note 2 and 3</i>)	855,015,837 (L)	48.44%	Interest in a controlled corporation and trustee
HLGH Fixed Investment (<i>Note 2</i>)	703,165,206 (L)	39.84%	Beneficial owner
HLGH Investment (<i>Note 3</i>)	151,850,631 (L)	8.60%	Beneficial owner
Mr. Liu Yi (<i>Note 4</i>)	855,015,837 (L)	48.44%	Sole shareholder and director of HLGH PTC, and settlor of both the HLGH Fixed Trust and the HLGH Discretionary Trust
Ms. Wang Ning (<i>Note 4</i>)	855,015,837 (L)	48.44%	Interest of spouse (spouse of Mr. Liu Yi)
NGGH PTC (<i>Note 5</i>)	136,344,891 (L)	7.72%	Interest in a controlled corporation and trustee
NGGH Investment (<i>Note 5</i>)	136,344,891 (L)	7.72%	Beneficial owner
Mr. Rao Peijun (<i>Note 6</i>)	136,344,891 (L)	7.72%	Sole shareholder and director of NGGH PTC, and settlor of the NGGH Trust
Ms. Chen Lijun (<i>Note 6</i>)	136,344,891 (L)	7.72%	Interest of spouse (spouse of Mr. Rao Peijun)

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares. This does not take account of up to 39.75 million Shares which may be the subject of the Stock Borrowing Agreement to be entered into between the Stabilizing Manager (as borrower) and HLGH Fixed Investment (as lender).
- (2) HLGH Fixed Investment is a wholly owned subsidiary of HLGH PTC. Both HLGH Fixed Investment and the Shares owned by it form part of the trust assets of the HLGH Fixed Trust, which was established by Mr. Liu Yi as settlor and whose trustee is HLGH PTC. The HLGH Fixed Trust is a fixed trust and, as at the Latest Practicable Date, it had 3,593 fixed beneficiaries, each of whose attributable interest in the Company ranged from less than 0.01% to 2.05%. All these fixed beneficiaries are SA Member Beneficiaries of SA Conch Group.
- (3) HLGH Investment is a wholly owned subsidiary of HLGH PTC. Both HLGH Investment and the Shares owned by it form part of the trust assets of the HLGH Discretionary Trust, which was established by Mr. Liu Yi as settlor and whose trustee is HLGH PTC. The HLGH Discretionary Trust is a discretionary trust and its discretionary objects are the HLGH Discretionary Objects. For further details of the HLGH Discretionary Trust, please refer to the section headed “History, Development and Reorganization — Reorganization — 6. Establishment of the SA BVI Trusts” in this prospectus.
- (4) HLGH PTC is a trustee company incorporated in BVI. Mr. Liu Yi is the sole shareholder of HLGH PTC. He is the sole director of each of HLGH PTC, HLGH Fixed Investment and HLGH Investment. He is also the settlor of both the HLGH Fixed Trust and the HLGH Discretionary Trust. Mr. Liu is deemed to be interested in 151,850,631 Shares in his capacity of settlor of the HLGH Discretionary Trust, and is deemed to be interested in 703,165,206

SUBSTANTIAL SHAREHOLDERS

Shares in his capacity of the sole director of HLGH PTC and HLGH Fixed Investment. Ms. Wang Ning is the spouse of Mr. Liu Yi, and accordingly she is deemed to be interested in the aggregate of 855,015,837 Shares by virtue of the SFO.

- (5) NGGH Investment is a wholly owned subsidiary of NGGH PTC. NGGH Investment and the Shares owned by it form part of the trust assets of the NGGH Trust, which was established by Mr. Rao Peijun as settlor and whose trustee is NGGH PTC. The NGGH Trust is a fixed trust and, as at the Latest Practicable Date, it had 1,424 fixed beneficiaries, each of whose attributable interest in the Company ranged from less than 0.01% to 0.19%. All these fixed beneficiaries are SA Member Beneficiaries of SA Ningguo.
- (6) NGGH PTC is a trustee company incorporated in BVI. Mr. Rao Peijun is the sole shareholder of NGGH PTC. He is the sole director of each of NGGH PTC and NGGH Investment. He is also the settlor of the NGGH Trust. Mr. Rao is deemed to be interested in 136,344,891 Shares in his capacity of the sole director of NGGH PTC and NGGH Investment. Ms. Chen Lijun is the spouse of Mr. Rao Peijun, and accordingly she is deemed to be interested in the said 136,344,891 Shares by virtue of the SFO.

In addition to the above and so far as our Directors are aware, immediately following completion of the Global Offering, the following entities are directly interested in 10% or more of the nominal value of any class of equity capital carrying rights to vote in all circumstances at general meetings of our subsidiaries:

<u>Name of our subsidiary</u>	<u>Substantial shareholder of the subsidiary</u>	<u>Percentage shareholding</u>
CK Engineering	Kawasaki HI (<i>Note 1</i>)	49%
CK Equipment	Kawasaki HI (<i>Note 1</i>)	49%
HC Port.	Prosperity Trading (<i>Note 2</i>)	25%

Notes:

- (1) Kawasaki HI is a company incorporated in Japan and whose shares are listed on the Tokyo Stock Exchange (stock code: TYO:7012).
- (2) Prosperity Trading is an indirect wholly owned subsidiary of Prosperity Holdings, a company incorporated in Bermuda and whose shares are listed on the Stock Exchange (stock code: 803).

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

CORNERSTONE INVESTORS

THE CORPORATE PLACING

We have entered into five cornerstone investment agreements with the Cornerstone Investors, four of whom agreed to subscribe for an aggregate total of 127 million Shares at the final Offer Price. The remaining one Cornerstone Investor agreed to subscribe for such number of Shares which may be acquired for the total subscription price of HK\$100 million as provided under the relevant subscription agreement (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) divided by the final Offer Price (and rounded down to the nearest whole board lot of 500 Shares). The aggregate subscription price under the five agreements amounted to about HK\$1,682.4 million (assuming the mid-point of the indicative Offer Price range as shown in this prospectus). To the best knowledge of our Directors, each of the Cornerstone Investors and their ultimate beneficial owners (or, as the case may be, such owner which is a listed company) is an Independent Third Party. Accordingly, the shareholdings of the Cornerstone Investors in our Company will be counted towards the public float of our Shares. Immediately following completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of them become a substantial shareholder of our Company.

The total subscription price payable by all five Cornerstone Investors based on the number of Offer Shares subscribed for and the assumption of the following Offer Price is set out below (or where applicable, the actual total subscription price as stated in the relevant subscription agreement and subject to the rounding down to the nearest whole board lot of 500 Shares):

<u>Offer Price (HK\$)</u>	<u>Number of Shares to be subscribed</u>	<u>Total subscription amount (HK\$)</u>	<u>Approximate percentage of the total issued Shares of our Company immediately upon completion of the Global Offering (without taking account of Shares which may be issued upon the exercise of the Over-allotment Option)</u>	<u>Approximate percentage of the Offer Shares under the Global Offering (without taking account of Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme)</u>
11.36 (the minimum Offer Price) . . .	135,802,500	1,542,720,000	7.69%	51.25%
12.46 (mid-point of the Offer Price range set forth in this prospectus)	135,025,500	1,682,420,000	7.65%	50.95%
13.56 (the maximum Offer Price) . . .	134,374,500	1,822,120,000	7.61%	50.71%

The cornerstone placing forms part of the International Offering and the Cornerstone Investors will not subscribe for any other Offer Share under the International Offering. The Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus. Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on or about December 18, 2013.

CORNERSTONE INVESTORS

OUR CORNERSTONE INVESTORS

Brief details of our Cornerstone Investors are set out below:

<u>Name of Cornerstone Investor</u>	<u>Total subscription price/Number of Offer Shares subscribed (Note 1)</u>	<u>Place of incorporation/ registration</u>	<u>Ultimate beneficial owner</u>
China National Building Material Company Limited ("CNBM", 中國建材股份有限公司)	55 million Offer Shares	PRC	See Note 2
TCC Investment Corp (Note 3) ("TCC Inv")	28 million Offer Shares	Taiwan	Taiwan Cement Corporation (Note 3)
Asia Cement Corporation ("ACC")	22 million Offer Shares	Taiwan	See Note 4
Gaoling Fund, L.P.	22 million Offer Shares	Cayman Islands	See Note 5
Sagemore Assets Limited (Note 6) ("Sagemore")	HK\$100,000,000	British Virgin Islands	Cheung Wing Har Linda (Note 6)

Notes:

1. The total subscription price is exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee. For Sagemore, the number of Offer Shares to be subscribed is equal to such total subscription price as provided in the relevant Cornerstone Investment Agreement divided by the final Offer Price, and rounded down to the nearest whole board lot of 500 Shares. For other Cornerstone Investors, each agreed to subscribe for such number of Offer Shares as specified in the relevant agreement at the Offer Price.
2. CNBM is a company whose overseas listed foreign shares are listed on the Stock Exchange (stock code: 3323). It is mainly engaged in cement, concrete, lightweight building materials, glass fibre, composite materials and engineering services businesses. It is also the largest cement producer in the world in terms of production capacity (as of 30 June, 2013). It has agreed to subscribe for a total number of 55,000,000 Offer Shares.
3. TCC Investment Corp is an investment arm of Taiwan Cement Corporation and is principally engaged in investment activities. Taiwan Cement Corporation is a company incorporated in Taiwan and its shares are listed on the Taiwan Stock Exchange (stock code: 1101). Taiwan Cement Corporation and its subsidiary held a total of 116,568,000 Conch Cement H-Shares (approximately 8.97% of the total number of Conch Cement H-Shares and approximately 2.20% of Conch Cement's total issued share capital) as at the Latest Practicable Date. TCC Investment Corp has agreed to subscribe for a total number of 28,000,000 Offer Shares.
4. ACC was founded in 1957 and is headquartered in Taipei, Taiwan and its shares are listed on the Taiwan Stock Exchange (stock code: 1102). It is principally engaged in the production and sale of cement and clinker products, and slag powder. It is a major holding company of Taiwan's Far Eastern Group. As of Third Quarter of 2013, ACC is also the largest shareholder of Taiwan-listed Far Eastern New Century Corporation directly and indirectly with a stake of 23.77%. Additionally, Asia Cement (China) Holdings Corporation ("ACC China", stock code: 743) is a subsidiary of ACC and its shares were first listed on the Stock Exchange in 2008. As of the third quarter of 2013, ACC directly and indirectly controlled about 72.29% in ACC China. It has agreed to subscribe for a total number of 22,000,000 Offer Shares.

CORNERSTONE INVESTORS

5. Gaoling Fund, L.P. is a long-term equities fund managed by Hillhouse Capital Management, Ltd.. Hillhouse manages capital for leading global institutions such as university endowments, foundations, family offices, pensions, and sovereign funds. Gaoling Fund, L.P. has agreed to subscribe for a total number of 22,000,000 Offer Shares.
6. Sagemore is a company incorporated in the British Virgin Islands and an investment holding company. Its ultimate beneficial owner is Cheung Wing Har Linda, an Independent Third Party.

Assuming that the final Offer Price is fixed at HK\$11.36 per Share (being the low-end of the indicative Offer Price range as shown in this prospectus) and based on the number of Offer Shares to be subscribed by each Cornerstone Investor (or where applicable, the actual total subscription price as stated in the relevant subscription agreement and subject to the rounding down to the nearest whole board lot of 500 Shares), the total subscription amount payable by each Cornerstone Investor is set out below:

<u>Name of Cornerstone Investor</u>	<u>No. of Shares to be subscribed</u>	<u>Total subscription amount (HK\$)</u>	<u>Approximate percentage of total number of issued Shares immediately following the Global Offering (assuming that the Over-allotment Option is not exercised at all)</u>	<u>Approximate percentage of total number of Offer Shares under the Global Offering (assuming that the Over-allotment Option is not exercised at all)</u>
CNBM	55 million Offer Shares	624,800,000	3.12%	20.75%
TCC Inv	28 million Offer Shares	318,080,000	1.59%	10.57%
ACC	22 million Offer Shares	249,920,000	1.25%	8.30%
Gaoling Fund, L.P.	22 million Offer Shares	249,920,000	1.25%	8.30%
Sagemore	8,802,500 Offer Shares	~100,000,000	0.50%	3.32%

Assuming that the final Offer Price is fixed at HK\$13.56 per Share (being the high-end of the indicative Offer Price range as shown in this prospectus) and based on the number of Offer Shares to be subscribed by each Cornerstone Investor (or where applicable, the actual total subscription price as stated in the relevant subscription agreement and subject to the rounding down to the nearest whole board lot of 500 Shares), the total subscription amount payable by each Cornerstone Investor is set out below:

<u>Name of Cornerstone Investor</u>	<u>No. of Shares to be subscribed</u>	<u>Total subscription amount (HK\$)</u>	<u>Approximate percentage of total number of issued Shares immediately following the Global Offering (assuming that the Over-allotment Option is not exercised at all)</u>	<u>Approximate percentage of total number of Offer Shares under the Global Offering (assuming that the Over-allotment Option is not exercised at all)</u>
CNBM	55 million Offer Shares	745,800,000	3.12%	20.75%
TCC Inv	28 million Offer Shares	379,680,000	1.59%	10.57%
ACC	22 million Offer Shares	298,320,000	1.25%	8.30%
Gaoling Fund, L.P.	22 million Offer Shares	298,320,000	1.25%	8.30%
Sagemore	7,374,500 Offer Shares	~100,000,000	0.42%	2.78%

CORNERSTONE INVESTORS

Assuming that the final Offer Price is fixed at HK\$12.46 per Share (being the mid-point of the indicative Offer Price range as shown in this prospectus) and based on the number of Offer Shares to be subscribed by each Cornerstone Investor (or where applicable, the actual total subscription price as stated in the relevant subscription agreement and subject to the rounding down to the nearest whole board lot of 500 Shares), the total subscription amount payable by each Cornerstone Investor is set out below:

Name of Cornerstone Investor	No. of Shares to be subscribed	Total subscription amount (HK\$)	Approximate percentage of total number of issued Shares immediately following the Global Offering (assuming that the Over-allotment Option is not exercised at all)	Approximate percentage of total number of Offer Shares under the Global Offering (assuming that the Over-allotment Option is not exercised at all)
CNBM	55 million Offer Shares	685,300,000	3.12%	20.75%
TCC Inv	28 million Offer Shares	348,880,000	1.59%	10.57%
ACC	22 million Offer Shares	274,120,000	1.25%	8.30%
Gaoling Fund, L.P.	22 million Offer Shares	274,120,000	1.25%	8.30%
Sagemore	8,025,500 Offer Shares	~100,000,000	0.45%	3.03%

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is generally subject to, among other things, the following conditions precedent:

- (1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become unconditional (in accordance with their respective terms) by no later than the respective time and date specified therein;
- (2) the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the International Underwriters);
- (3) neither of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been terminated;
- (4) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Shares to be subscribed by the Cornerstone Investors) and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (5) the Cornerstone Investors having given certain undertakings to our Company and the relevant underwriters.

CORNERSTONE INVESTORS

RESTRICTIONS ON THE CORNERSTONE INVESTOR'S INVESTMENT

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company and the relevant Joint Bookrunner(s), it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, (among other things) dispose of any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreement (save that such Cornerstone Investor is permitted to transfer all or part of the Shares that it will be issued in the International Offering to its wholly-owned subsidiary(ies) (or, where applicable, the holding company of which it is a wholly-owned subsidiary and any of the wholly-owned subsidiary of such holding company) during such six-month lock-up period provided that (among other things) prior to such transfer, such wholly-owned subsidiary shall give a written undertaking to, and such Cornerstone Investor shall give a written undertaking to procure that such wholly-owned subsidiary will, be bound by the Cornerstone Investor's obligations under the relevant cornerstone investment agreement).

SHARE CAPITAL

SHARE CAPITAL

The following is a summary of the authorized and issued share capital of our Company as at the date of this prospectus and immediately after completion of the Global Offering:

Number	Aggregate par values
	(HK\$)
<i>Authorized share capital:</i>	
15,000,000,000 Shares of HK\$0.01 each	150,000,000
<i>Issued and to be issued, fully paid or credited as fully paid:</i>	
1,500,000,000 Shares in issue at the date of this prospectus	15,000,000
265,000,000 Shares to be issued under the Global Offering (assuming that the Over-allotment Option is not exercised at all)	2,650,000
<u>1,765,000,000</u> Shares	<u>17,650,000</u>

ASSUMPTIONS

The above table assumes the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering is made as described herein. It does not take into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or the Over-allotment Option or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors.

MINIMUM PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public. Our Company has applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange has exercised, its discretion under Rule 8.08(1)(d) of the Listing Rules to allow a reduced public float for the Shares of the Company equivalent to a minimum of 15% of its issued share capital or a higher percentage upon the exercise of the Over-allotment Option as described in the section headed "Waivers from compliance with the Listing Rules" of this prospectus.

RANKING

The Offer Shares and the Shares which may be issued under the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate nominal value of not exceeding the sum of:

- i. 20% of the aggregate nominal value of our share capital in issue immediately following completion of the Global Offering, but excluding any Shares which may be issued upon the exercise of the Over-allotment Option; and
- ii. the nominal amount of our share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

The above mandate does not apply to situations where our Directors allot, issue or deal in Shares by way of a rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any options that may be granted under the Share Option Scheme, or under the Global Offering or upon the exercise of the Over-allotment Option. Our Directors may, in addition to the Shares which they are authorized to issue under the above mandate, to allot, issue and deal in Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or the exercise of any options that may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

This mandate will expire:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or any applicable laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting,

whichever occurs first.

For further details of this general mandate, please see the sub-paragraph headed “Resolutions in writing passed by our Shareholders on December 3, 2013” in the section headed “Statutory and General Information — Further information about our Group” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total nominal amount of the our share capital in issue immediately following completion of the Global Offering, but excluding any Shares that may be issued upon the exercise of the Over-allotment Option. This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant

SHARE CAPITAL

requirements under the Listing Rules is set out in the paragraph headed “Further information about our Group — Repurchases by our Company of our own securities” in Appendix V to this prospectus.

This general mandate will expire:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or any applicable laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting,

whichever occurs first.

For further details of this general mandate, see the sub-paragraph headed “Resolutions in writing passed by our Shareholders on December 3, 2013” in the section headed “Statutory and General Information — Further information about our Group” in Appendix V to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations together with our combined financial statements as of and for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013 and the accompanying notes included in the accountants' report set out in Appendix I to this prospectus. Our combined financial statements have been prepared in accordance with IFRS. Potential investors should read the whole of the accountants' report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

The financial information of Conch Cement for 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013 has been extracted from its annual and interim report published on the website of the Stock Exchange. We do not have control over the business, operations or financial condition of Conch Cement, and the following analysis and discussion represents the view of the directors and senior management of Conch Cement. Conch Cement's financial information for 2010, 2011 and 2012 has been audited by its auditor. Conch Cement's financial information for the six months ended June 30, 2012 and 2013 has not been audited or reviewed by its auditor. Conch Cement's financial information for the nine months ended September 30, 2013 has been reviewed by the auditor in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants.

The following discussion and analysis and other parts of this prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are an investment holding company and a large integrated provider of energy preservation and environmental protection solutions, with a plan on diversifying our solutions by offering green building materials, an alternative building materials with energy preservation and environment-friendly features. During the Track Record Period, we recorded significant profit from our investment in Conch Holdings, the largest shareholder of two leading building materials companies, namely Conch Cement and Conch Profiles. Meanwhile, more than 70% of our turnover were generated from the provision of residual heat power generation solutions. We currently have a leading market position in the residual heat power generation solutions market. Our ability to provide customized energy preservation and environmental protection solutions supported by the synergies from leading building materials companies such as Conch Cement in our investment portfolio ensures a sustainable growth.

We generated a substantial portion of our turnover through residual heat power generation and waste incineration projects under EP, EPC and BT arrangements during the Track Record Period. We provide highly customized residual heat power generation solutions from initial design to construction using proprietary technologies and self-produced core equipment. We also offer innovative waste incineration solutions that effectively resolve the dioxin and heavy metal issues, two major source of secondary pollution from conventional waste incinerators. In

FINANCIAL INFORMATION

In addition, we offer vertical mills that facilitate cement producers to enhance their production efficiency, preserve energy and reduce emissions in their production process. Meanwhile, we are also engaged in the port logistics business through the Yangzhou Haichang Port, which provides us with steady and sustainable profits.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We believe the most significant factors that directly or indirectly affect our financial performance and results of operations include:

- Transactions with and share of profit from Anhui Conch Group;
- Demand for our energy preservation and environmental protection solutions;
- Our ability to expand the end-application markets of our energy preservation and environmental protection solutions;
- Our fixed price contracts; and
- Growth of our green building material business.

Transactions with and share of profit from Anhui Conch Group

We derive a substantial portion of our profit for the year/period from our equity interests in Conch Holdings, the largest shareholder of Conch Cement and Conch Profiles. Conch Holdings is considered our associate, and we have no control over its business, operations or financial policies. Nor do we have any control over Conch Cement and Conch Profiles. Sales to Conch Cement and its affiliated companies also constitute a substantial portion of our turnover. Set forth below illustrates Conch Cement's contribution to our turnover and share of Conch Holdings' profit as a percentage of our profit for the year/period:

	Year Ended December 31,						Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Turnover	1,812,167	100.0	1,581,995	100.0	1,250,435	100.0	644,554	100.0	656,708	100.0
Other customers	1,061,774	58.6	1,021,085	64.5	919,736	73.6	486,467	75.5	290,472	44.2
Conch Cement	750,393	41.4	560,910	35.5	330,699	26.4	158,087	24.5	366,236	55.8
Profit for the year/period . .	1,557,340	100.0	2,385,606	100.0	1,416,440	100.0	674,976	100.0	681,280	100.0
Share of profits of an associate	1,112,615	71.4	2,062,894	86.5	1,176,249	83.0	547,172	81.1	547,411	80.4
Profit attributable to our operations ⁽¹⁾	444,725	28.6	322,712	13.5	240,191	17.0	127,804	18.9	133,869	19.6

(1) Profit attributable to our operations represents profit for the year/period less share of profits of an associate.

During the Track Record Period, we and the Anhui Conch Group, primarily Conch Cement, engaged in transactions in the ordinary course of business, including primarily (i) provision of residual heat power generation solutions and waste incineration solutions; (ii) sales of vertical mills; (iii) provision of logistics and storage for coal and other materials; (iv) provision of services regarding construction, design and installation of production line and equipment; and (v) receipt of services regarding design of construction work and provision of software and hardware regarding equipment engineering, which were in connection with our residual heat power generation and waste incineration solutions.

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Conch Cement was our largest customer throughout the Track Record Period, sales to whom accounting for 41.4%, 35.5%, 26.4%, 24.5% and 55.8% of our turnover for 2010, 2011, 2012, and the six months ended June 30, 2012 and 2013, respectively. In the six months ended June 30, 2013, turnover from Conch Cement as a percentage of our total turnover increased from 24.5% to 55.8% primarily because (i) we finished a large number of residual heat power generation projects for Conch Cement's overseas production plants; (ii) an increase in sales of vertical mills to Conch Cement in connection its cement production lines in Western China; and (iii) we ramped up the capacity of Yangzhou Haichang Port, whose major customer was Conch Cement. Our Directors confirm that all of the transactions with Conch Cement were made on an arm's-length basis with normal commercial terms comparable to the terms for sales to our other customers. Accordingly, our Directors are of the view that the transactions with Conch Cement would not distort our results of operations during the Track Record Period, nor make the historical results not reflective of its future performance.

Meanwhile, share of profit of our associate, Conch Holdings, accounted for approximately 71.4%, 86.5%, 83.0%, 81.1% and 80.4% of our profit for the year/period for 2010, 2011, 2012, the six months ended June 30, 2012 and 2013, respectively. Profits of Conch Holdings are primarily affected by the net profit of Conch Cement and Conch Profiles, two leading producers of building materials. Conch Holdings is an investment holding company and it generates profit by relying on its investees and it has incurred administrative expenses throughout the Track Record Period to carry out such functions. Their results of operations and financial conditions are affected by a number of factors, including: (i) general economic condition in China; (ii) relevant government policies; (iii) market demand for building materials; (iv) utilization rate of their production capacities; and (v) their ability to control their respective costs.

We actively seek to diversify our revenue source and expect the revenue contribution from Conch Cement to decrease in the future, primarily for the following reasons: (i) We plan to actively seek for cement kiln waste incineration projects under BOT arrangements with local governments. We believe that the BOT arrangement for cement kiln waste incineration projects presents a compelling value proposition to the local governments for small- to mid-sized cities as such arrangement enables the local governments to effectively resolve the local waste management issues without heavy capital investments. We believe that the cement plants will be willing to cooperate with the local governments as well, primarily because that once the cement kiln is used for waste incineration, the local government is less likely to order a capacity reduction or suspend the production or utilities supply. (ii) We plan to actively expand the geographical end market for our residual heat power generation solution outside of China, where Conch Cement's production line account for a much fewer portion of the total cement production lines. We also actively seek to expand the end application markets of our residual heat power generation solutions beyond the cement industry. (iii) We are in the process of expanding into the green building material business, where we would not sell substantive volume of products to Conch Cement. (iv) As we continue to ramp up the capacity of Yangzhou Haichang Port, and in view of the outlook of the cement industry, we expect to attract more customers other than cement companies. See "Business — Our Strategies" for further details about our plans to expand our current business operations and diversify our revenue sources.

Demand for our energy preservation and environmental protection solutions

The demands for energy preservation and environmental protection solutions have been, and are expected to continue to be, driven by strong government support, as well as customer demands. The PRC government has increasingly focused on energy preservation and environmental protection, as evidenced by the promulgation of several policies and promotion measures in recent years, including the various measures in the 12th Five Year Plan. Demand for waste incineration is also growing in smaller cities in China in view of the rising public awareness on environmental protection issues. High electricity cost and restrictions of electricity

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usage also incentivize energy consuming industrial companies, in particular, steel, glass and chemicals companies, to employ residual heat power generation solutions. According to the Roland Berger Report, the market for residual heat power generation solutions is expected to peak at RMB18.0 billion in 2016 and remain stable at RMB17.0 billion in 2017. In particular, the demand for residual heat power generation solutions is expected to have a stronger growth in the steel industry. In addition, the demand for residual heat power generation solutions outside of China is also expected to increase significantly. According to the Roland Berger Report, the market for residual heat power generation solutions for cement plant outside of China is expected to grow at a CAGR of 27.9% from RMB1.9 billion in 2012 to RMB6.5 billion in 2017.

As a market leader of residual heat power generation solutions, we believe that our extensive experiences and proven track record in providing one-stop solutions combined with our proprietary technologies position us well to capture the growing demand for residual heat power generation solutions and waste incineration solutions.

Our ability to expand the end-application markets of our energy preservation and environmental protection solutions

Our expertise and extensive knowledge and experience with residual heat power generation and waste incineration enable us to establish leading market position for residual heat power generation solutions in China and have allowed us to expand our residual heat incineration business. We will continue to devote resources to further customize and enhance our residual heat power generation solutions to cater to different requirement from a broader range of industries, including steel, glass and chemicals industries. We also plan to devote additional resources on research and development to diversify our range of waste incineration solutions on offer, including grate incinerators for small- to mid-sized cities and communities with limited access to cement plants. We believe that our expertise and extensive industry knowledge and technical know-how will enable us to expand our portfolio of solutions into additional end-application markets. Our ability to continue expanding our business into additional end-application markets will affect our future revenue growth.

Our fixed price contracts

We currently generate, and expect to continue to generate, a substantial portion of our turnover from fixed-price contracts in connection with EPC and BT arrangements. The terms contained in these contracts require us to complete a project for a fixed price and therefore expose us to cost overruns due to various reasons, including:

- any default by our subcontractors on their contractual obligations or if they do not perform according to work specifications or the quality of their work fails to meet the standards required by our clients, which may result in cost overruns due to provision of free rectification works to our clients and us not being able to deliver the projects on time, which will affect our relationships with our clients and will adversely affect our profitability;
- any unexpected increase in raw material costs, especially relating to those used in civil construction such as steel or cement, which we may not be able to recover from our clients which will adversely affect our profitability; and
- any extra or “change order” work requested by our clients which may result in disputes over whether the work performed is beyond the scope of the work included in the original project and specifications, or over the price the client is willing to pay for the extra work.

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Growth of our green building material business

We expect the turnover from our green building material business to contribute a considerable portion of our turnover in the long-term. The growth of our green building material business will be driven by market demand for cost-efficient and environment-friendly alternatives to traditional wall building materials. We believe that our planned large-scale production capabilities and early-mover advantage will position us well to capture the expected robust demand for green building materials. We plan to devote substantial resources to establish our green building materials business. See “Business — Our Strategies — Accelerate the development of our green building materials business” for further details about our plan to expand our green building materials business.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations are set forth in detail in Note 1 to the Accountants’ Report included in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to us and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

Sale of goods

Revenue is recognized when goods are delivered at the customers’ premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Contract revenue

- When the outcome of a contract can be estimated reliably, revenue from a fixed price contract is recognized using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs, surveys of work performed or completion of a physical proportion of the contract work for the contract; and
- When the outcome of a contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

Historically, we have never experienced any material differences between the estimated total contract costs and the actual costs we incurred.

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Revenue from services

Revenue arising from services is recognized when the relevant service is rendered without further performance obligations.

Interest income

Interest income is recognized as it accrues using the effective interest method.

Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them. Grants that compensate the group for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Plant and buildings	20–30 years
— Machinery and equipment	10–15 years
— Office and other equipment	5 years
— Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually. We selected the depreciation methods based on our experiences, and the depreciation methods we selected are in line with industry practice.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less accumulated impairment losses. Capitalization of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

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No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

Impairment of assets

Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortized cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the group about one or more of the following loss events.

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

- For investments in subsidiaries and associates (including those recognized using the equity method), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.
- For trade and other current receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

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Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- lease prepayments; and
- intangible assets.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

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Historically, we have never identified any indicators that would trigger the impairment of these assets.

Associate

An associate is an entity in which we have significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the combined financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of our share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in our share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, our share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the combined income statements, whereas our share of the post-acquisition post tax items of the investees' other comprehensive income is recognized in the combined statement of comprehensive income.

When our share of losses exceeds its interest in the associate, our interest is reduced to nil and recognition of further losses is discontinued except to the extent that we have incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, our interest is the carrying amount of the investment under the equity method together with our long-term interests that in substance form part of our net investment in the associate.

Unrealized profits and losses resulting from transactions between us and our associate (and the subsidiaries and associates of the associate) are eliminated to the extent of our interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

When we cease to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

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PRINCIPAL INCOME STATEMENT COMPONENTS

The following table sets forth a summary, for the periods indicated, of our combined results of operations, each expressed as a percentage of our combined income statement for the period indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year Ended December 31,						Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Combined income statements										
Turnover	1,812,167	100.0	1,581,995	100.0	1,250,435	100.0	644,554	100.0	656,708	100.0
Cost of sales	(1,160,843)	(64.1)	(1,060,574)	(67.0)	(847,995)	(67.8)	(434,774)	(67.4)	(422,040)	(64.3)
Gross profit	651,324	35.9	521,421	33.0	402,440	32.2	209,780	32.6	234,668	35.7
Other revenue	9,592	0.5	8,051	0.5	11,523	0.9	5,198	0.8	7,300	1.1
Other net (loss)/income	(59)	—	368	—	(292)	—	(94)	—	324	—
Distribution costs	(25,877)	(1.4)	(22,023)	(1.4)	(18,585)	(1.5)	(9,173)	(1.4)	(10,265)	(1.6)
Administrative expenses	(77,523)	(4.3)	(107,574)	(6.8)	(74,693)	(6.0)	(37,090)	(5.8)	(52,095)	(7.9)
Profit from operations	557,457	30.7	400,243	25.3	320,393	25.6	168,621	26.2	179,932	27.3
Finance costs	(1,113)	(0.1)	(365)	—	(13,900)	(1.1)	(4,057)	(0.6)	(9,628)	(1.5)
Share of profit of										
an associate	1,112,615	61.4	2,062,894	130.4	1,176,249	94.1	547,172	84.9	547,411	83.4
Profit before taxation	1,668,959	92.0	2,462,772	155.7	1,482,742	118.6	711,736	110.5	717,715	109.2
Income tax	(111,619)	(6.1)	(77,166)	(4.9)	(66,302)	(5.3)	(36,760)	(5.7)	(36,435)	(5.5)
Profit for the year/period	1,557,340	85.9	2,385,606	150.8	1,416,440	113.3	674,976	104.8	681,280	103.7
Attributable to:										
Equity shareholders of the										
Company	1,331,232		2,228,156		1,299,091		612,810		619,688	
Non-controlling interests	226,108		157,450		117,349		62,166		61,592	

Turnover

During the Track Record Period, we generated turnover from two operating segments: (i) provision of energy preservation and environmental protection solutions, primarily residual heat power generation solutions, vertical mills and waste incineration solutions; and (ii) provision of port logistics services that began in 2011.

The following table sets out the breakdown of our turnover by our two operating segments for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Energy preservation and environmental protection solutions										
Residual heat power generation	1,402,607	77.4	1,197,435	75.7	923,531	73.9	501,808	77.9	499,170	76.0
Vertical mills	366,637	20.2	278,889	17.6	157,901	12.6	90,153	14.0	93,824	14.3
Waste incineration	42,923	2.4	86,191	5.5	93,202	7.5	22,644	3.5	—	—
Subtotal	1,812,167	100.0	1,562,515	98.8	1,174,634	94.0	614,605	95.4	592,994	90.3
Port logistics services	—	—	19,480	1.2	75,801	6.0	29,949	4.6	63,714	9.7
Total	1,812,167	100.0	1,581,995	100.0	1,250,435	100.0	644,554	100.0	656,708	100.0

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Historically, the majority of our turnover was generated from the provision of energy preservation and environmental protection solutions. In 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013, turnover from provision of energy preservation and environmental protection solutions amounted to RMB1,812.2 million, RMB1,562.5 million, RMB1,174.6 million, RMB614.6 million and RMB593.0 million, respectively, which accounted for 100.0%, 98.8%, 94.0%, 95.4% and 90.3% of our total turnover. We began our port logistics services in 2011. Going forward, we expect the revenue contribution from waste incineration solutions and port logistics services to increase. In addition, we plan to begin to offer green building materials in 2015.

Throughout the Track Record Period, turnover from provision of energy preservation and environmental protection solutions continued to decrease primarily as the demand for residual heat power generation solutions for cement and steel companies in China and vertical mills decreased due to the general economic conditions and cyclical nature of the downstream cement and steel customers. The market for residual heat power generation expanded rapidly from 2006 to 2010, and started to saturate in 2011, as a large portion of cement and steel companies had installed the residual heat power generation solutions by then, and the PRC government had implemented policies to restrict new capacity for cement and steel plants. The restriction on the establishment of additional cement plants also negatively impacted the demand of vertical mills in China. In addition, the decrease in the sales of our residual heat power generation solutions was also attributable to decreases in the spending power of cement companies in China due to the general economic condition. The impact of such decrease in sales of residual heat power generation solutions and vertical mills in China on our results of operations, however, was partially offset by (i) the increase in the turnover from provision of waste incineration solutions in 2011 to 2012; and (ii) growth in the market for residual heat power generation for cement and steel companies outside of China. Turnover from waste incineration is subject to fluctuation, as all the contracts are project based. For the six months ended June 30, 2013, we did not have any waste incineration projects under construction and therefore did not generate any turnover. Going forward, we expect our operations to be sustainable primarily because: (i) demand for residual heat power generation solution overseas and applications in industries other than cement is expected to experience a strong growth from 2013 to 2017; (ii) despite the restriction on cement production capacity in China, existing cement production lines looking for optimizing operational efficiency and reducing energy costs can be potential customer for our vertical mills. As a result, while we expect a stable demand for our vertical mills instead of a strong growth in the near future; (iii) we expect a strong growth in demand for our waste incineration solutions. As of October 31, 2013, we had four waste incineration projects under construction and one waste incineration projects that were contracted; (iv) we plan to further ramp up the capacity of Yangzhou Haichang Port and expect revenue contribution from our port logistics services to further increase; and (v) we plan to commence the green building material business to capitalize on the expected strong demand for new building panel materials.

	Year Ended December 31,						Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Region										
China	1,808,576	99.8	1,484,361	93.8	835,616	66.8	414,694	64.3	528,756	80.5
South America	—	—	—	—	259,100	20.7	192,552	29.9	—	—
Asia (excluding China)	3,591	0.2	97,634	6.2	155,719	12.5	37,308	5.8	127,952	19.5
Total	1,812,167	100.0	1,581,995	100.0	1,250,435	100.0	644,554	100.0	656,708	100.0

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As the market for residual heat power generation solutions in China began to saturate in 2011, we began to expand to the overseas markets, primarily Southeast Asia and South America under EP arrangement. Going forward, we expect our turnover generated from the overseas markets continue to increase both in absolute terms and as a percentage of our total turnover.

Cost of Sales, Gross Profit and Gross Margin

Our costs of sales comprise (i) procurement costs of equipment and components, (ii) procurement costs of raw materials, (iii) subcontracting costs, (iv) labor costs and overhead, (v) depreciation and amortization and (vi) others.

The following table sets forth the major components of our cost of sales both in absolute terms and as a percentage of the total cost of sales for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Equipment and components	629,097	54.2	411,385	38.8	397,415	46.9	207,153	47.6	183,026	43.4
Raw materials	374,921	32.3	341,755	32.2	222,361	26.2	129,416	29.8	133,155	31.6
Subcontracting costs	134,967	11.6	267,782	25.2	168,691	19.9	70,277	16.2	65,208	15.5
Labour costs and overhead	8,045	0.7	11,582	1.1	15,519	1.8	6,398	1.5	11,140	2.6
Depreciation and amortization	6,301	0.5	13,486	1.3	26,831	3.2	12,298	2.8	18,545	4.4
Others	7,512	0.7	14,584	1.4	17,178	2.0	9,232	2.1	10,966	2.5
Total	1,160,843	100.0	1,060,574	100.0	847,995	100.0	434,774	100.0	422,040	100.0

Throughout the Track Record Period, costs for equipment and components to be used in our residual heat power generation and waste incineration solutions accounted for the largest portion of our cost of sales, representing approximately 54.2%, 38.8%, 46.9%, 47.6% and 43.4% of our total cost of sales for 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013, respectively. Raw materials costs and subcontracting costs are also important components of our cost of sales, representing 32.3%, 32.2%, 26.2%, 29.8% and 31.6%, and 11.6%, 25.2%, 19.9%, 16.2% and 15.5% of our total cost of sales for 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013, respectively. The fluctuation of equipment and component costs as a percentage of our total cost of sales is primarily the result of the different business arrangements we use. For example, in 2011, as we increased the use of EPC arrangements as compared with 2010, we incurred more subcontracting costs and, as a result, the costs of equipment decreased as a percentage of our total cost of sales. In 2012, cost of equipment increased as a percentage of total cost of sales primarily as we increased our overseas sales, which were primarily conducted under the EP arrangements.

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The fluctuation of raw materials prices have also impacted our cost of sales and profitability in the past and is expected to continue to impact our cost of sales and profitability. Set forth below are sensitivity analyses on the impact to our results of operations for 2012 from (i) the fluctuation of the prices of the major equipment and components we use in our residual heat power generation projects, including steam turbines and generators; and (ii) the fluctuation of the prices of our major raw materials, including steel plates, steel pipes and semi-finished boilers. Procurement costs for these items accounted for approximately 40% of our cost of sales.

Changes in equipment and component prices

	+20%	+15%	+10%	+5%	-5%	-10%	-15%	-20%
(In RMB millions, except for percentages)								
Cost of sales	50.8	38.1	25.4	12.7	(12.7)	(25.4)	(38.1)	(50.8)
Profit for the year attributable to equity shareholders of the Company	(19.1)	(14.3)	(9.5)	(4.8)	4.8	9.5	14.3	19.1
Profit for the year attributable to equity shareholders of the Company (%)	(1.47)%	(1.10)%	(0.73)%	(0.37)%	0.37%	0.73%	1.10%	1.47%
Profit for the year attributable to equity shareholders of the Company — excluding share of profits from an associate (%) . . .	(15.49)%	(11.62)%	(7.74)%	(3.87)%	3.87%	7.74%	11.62%	15.49%

Changes in steel prices

	+20%	+15%	+10%	+5%	-5%	-10%	-15%	-20%
(In RMB millions, except for percentages)								
Cost of sales	17.0	12.8	8.5	4.3	(4.3)	(8.5)	(12.8)	(17.0)
Profit for the year attributable to equity shareholders of the Company	(6.4)	(4.8)	(3.2)	(1.6)	1.6	3.2	4.8	6.4
Profit for the year attributable to equity shareholders of the Company (%)	(0.49)%	(0.37)%	(0.25)%	(0.12)%	0.12%	0.25%	0.37%	0.49%
Profit for the year attributable to equity shareholders of the Company — excluding share of profits from an associate (%) . . .	(5.18)%	(3.89)%	(2.59)%	(1.30)%	1.30%	2.59%	3.89%	5.18%

We have never experienced any significant price increases in the major components and equipment we use in our residual heat power generation projects during the Track Record Period, and we seek to actively manage the procurement prices of these components and equipment going forward. On the other hand, steel prices fluctuated more during the Track Record Period. However, as we typically increase the stock level of steel when the prices decrease and decrease the procurement volume when the prices increase, the fluctuation of steel prices have not resulted in any material adverse impact on our profitability.

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The following table sets forth the breakdown of our cost of sales by our operating segments, each expressed as a percentage of the segment turnover, for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(in thousands, except for percentages)										
Energy preservation and environmental protection solutions										
Residual heat power generation	891,183	63.5	802,906	67.1	636,821	69.0	336,033	67.0	325,734	65.3
Vertical mills	244,824	66.8	174,616	62.6	113,722	72.0	69,093	76.6	71,898	76.6
Waste incineration	24,836	57.9	68,953	80.0	62,318	66.9	13,655	60.3	—	—
Subtotal	1,160,843	64.1	1,046,475	67.0	812,861	69.2	418,781	68.1	397,632	67.1
Port logistics services	—	—	14,099	72.4	35,134	46.4	15,993	53.4	24,408	38.3
Total	1,160,843	64.1	1,060,574	67.0	847,995	67.8	434,774	67.5	422,040	64.3

The following table sets forth the breakdown of our gross profit and gross margin by our operating segments for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(in thousands, except for percentages)										
Energy preservation and environmental protection solutions										
Residual heat power generation	511,424	36.5	394,529	32.9	286,710	31.0	165,775	33.0	173,436	34.7
Vertical mills	121,813	33.2	104,273	37.4	44,179	28.0	21,060	23.4	21,926	23.4
Waste incineration	18,087	42.1	17,238	20.0	30,884	33.1	8,989	39.7	—	—
Subtotal	651,324	35.9	516,040	33.0	361,773	30.8	195,824	31.9	195,362	32.9
Port logistics services	—	—	5,381	27.6	40,667	53.6	13,956	46.6	39,306	61.7
Total	651,324	35.9	521,421	33.0	402,440	32.2	209,780	32.5	234,668	35.7

Energy Preservation and Environmental Protection Solutions

The cost of sales for our energy preservation and environmental protection solutions consists primarily of (i) procurement costs of equipment and components, (ii) procurement costs of raw materials, (iii) subcontracting costs, (iv) labor costs and overhead, (v) depreciation and amortization and (vi) others. Procurement costs and subcontracting costs account for the majority of costs of sales for our energy preservation and environmental protection solutions.

Gross margin for our energy preservation and environmental protection solutions is primarily affected by the contract price of a project, the mix of our solutions and the relevant costs for procurement of equipment and subcontracting. Throughout the Track Record Period, decreases in the demand for residual heat power generation solutions in China and intensified competition resulted in downward pricing pressure on our residual heat power generation solutions. In addition, due to the increase in turnover contribution from EPC contracts, under which we are responsible for the construction work, the subcontracting costs increased and our profitability decreased. On the other hand, the profitability of our residual heat power generation solutions in Southeast Asia is expected to remain relatively stable, and we expect to achieve higher profitability for our sales in South America. As a result, we expect the overall profitability for our residual heat power generation solutions to remain stable going forward. In addition, in

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the future, we expect an increase in the turnover contribution from our waste incineration solutions that have higher profitability as compared with those of our residual heat power generation solutions.

Port Logistics Services

The cost of sales for our port logistics services consists primarily of depreciation and amortization of fixed assets and labor costs. Gross margin for our port logistics services is primarily affected by the volume of cargoes we handle every year. Going forward, as we continue to improve the utilization rate of our port facilities, we expect the gross margin for our port logistics services to further increase.

Other Revenue

Other revenue includes interest income from our bank deposits, the BT arrangement and government grants. Under the BT arrangement, our clients pay us the contract price plus an interest on the progress payment they would have paid under the EPC arrangement, in a number of installments. Throughout the Track Record Period, interest income represented the substantial majority of our other revenue.

Operating Expenses

Our operating expenses include distribution expenses, general and administrative expenses.

Distribution Costs

Distribution costs consist primarily of salaries and benefits for our sales and marketing personnel, advertising expenses, sales-related travel expenses, shipping expenses and other sales and marketing expenses.

Administrative Expenses

Administrative expenses consist primarily of research and development expenses, salaries and benefits for our administrative, finance and human resources personnel, fees and expenses of legal, accounting and other professional services, insurance expenses, general and administrative related travel expenses, depreciation of equipment and facilities used for administrative purposes, and other expenses associated with our administrative offices.

Finance Costs

Our finance costs comprise primarily interest expenses. Our finance costs are primarily affected by the outstanding amount of borrowings and applicable interest rates.

Share of Profit of an Associate

Share of profit of an associate during the Track Record Period represented the profit after taxation from Conch Holdings. We hold a 49% equity interest in Conch Holdings, the largest shareholder of Conch Cement and Conch Profiles. The profits before tax of Conch Cement and Conch Profiles are primarily affected by the sales volume and realized average selling price of their respective products, their respective costs of sales and the expenses associated with their operations. In 2010, 2011, 2012 and the six months ended June 30, 2013, Conch Cements net profit attributable to Conch Holdings accounted for 99.1%, 100.6%, 96.6% and 104.0% of Conch Holdings' consolidated net profit, while Conch Profiles' net profit attributable to Conch Holdings

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accounted for 2.3%, 0.7%, 2.7% and 1.9% of Conch Holdings' consolidated net profit. As a result, to facilitate your investment decision, we included certain analysis and discussion on Conch Cement's financial information made by the directors and senior management of Conch Cement, as well as its financial statements as of and for the nine months ended September 30, 2013 reviewed by the auditor of Conch Cement in Appendix II to this prospectus. On the other hand, considering the insignificant profit contribution by Conch Profiles, we do not include separate analysis and discussion on its financial information nor any of its financial statements. Please also refer to other public announcements made by Conch Cement and Conch Profiles for further information about their financial information.

TAXATION

Under the current laws of the Cayman Islands and the British Virgin Islands, we are not subject to income tax or capital gains tax in the Cayman Islands and the British Virgin Islands. Additionally, dividend payments made by us are not subject to withholding tax in the Cayman Islands and the British Virgin Islands.

No provision has been made for Hong Kong Profits Tax as we did not earn income subject to Hong Kong Profits Tax in 2010, 2011, 2012 and the six months ended June 30, 2013. There is no withholding tax on the dividends distributed from our Hong Kong subsidiary.

Our PRC subsidiaries conduct their businesses in China and are subject to taxation in China. Under the EIT Law, which became effective on January 1, 2008, both domestically owned enterprises and foreign-invested enterprises are subject to a uniform tax rate of 25%. However, one of our subsidiary, CK Equipment, has obtained the high and new technology enterprise certificate and has been entitled to a preferential tax rate of 15% since 2008. The high and new technology enterprise certificate is valid for three years, and has been renewed in 2011 and is valid until October 2014. As of the Latest Practicable Date and during the Track Record Period, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

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CONCH CEMENT'S RESULTS OF OPERATIONS AND FINANCIAL CONDITION

We derive a substantial portion of our profit for the year/period from our equity interests in Conch Holdings, the substantial shareholder of Conch Cement and Conch Profiles. Over 90% of Conch Holdings' net profit was contributed by Conch Cement. To facilitate your investment decision, the following information has been extracted from Conch Cement's annual and interim report published on the website of the Stock Exchange. We do not have control over the business, operations or financial condition of Conch Cement, and the following analysis and discussion represents the view of the directors and senior management of Conch Cement. Conch Cement's financial statements for 2010, 2011 and 2012 has been audited by its auditor.

	Year Ended December 31,						Six Months Ended June 30,			
	2010		2011		2012		2012		2013	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)									
Consolidated income statements										
Turnover	34,508	100.0	48,654	100.0	45,766	100.0	20,559	100.0	23,587	100.0
Cost of sales and services rendered	(23,566)	(68.3)	(29,477)	(60.6)	(33,265)	(72.7)	(15,103)	(73.5)	(17,023)	(72.2)
Gross profit	10,942	31.7	19,177	39.4	12,501	27.3	5,456	26.5	6,564	27.8
Other revenue	507	1.5	877	1.8	1,173	2.6	601	2.9	501	2.1
Other net income	(5)	0.0	151	0.3	68	0.1	2	0.0	26	0.1
Selling and marketing costs	(1,546)	(4.5)	(1,859)	(3.8)	(2,280)	(5.0)	(963)	(4.7)	(1,209)	(5.1)
Administrative expenses	(1,299)	(3.8)	(1,799)	(3.7)	(2,178)	(4.7)	(892)	(4.3)	(1,164)	(4.9)
Profit from operations	8,599	24.9	16,547	34.0	9,284	20.3	4,204	20.4	4,718	20.0
Finance cost	(514)	(1.5)	(875)	(1.8)	(1,136)	(2.5)	(532)	(2.6)	(594)	(2.5)
Share of profit/(losses) of associates	0	0.0	1	0.0	(5)	0.0	(2)	0.0	(23)	(0.1)
Share of profit/(losses) of joint ventures	27	0.1	26	0.1	(18)	0.0	(6)	0.0	(19)	(0.1)
Profit before taxation	8,112	23.5	15,699	32.3	8,125	17.8	3,664	17.8	4,082	17.3
Income tax	(1,770)	(5.1)	(3,880)	(8.0)	(1,639)	(3.6)	(678)	(3.3)	(912)	(3.9)
Profit for the period	6,342	18.4	11,819	24.3	6,486	14.2	2,986	14.5	3,170	13.4
Attributable to:										
Equity shareholders of the Company	6,160		11,586		6,331		2,933		3,060	
Non-controlling interests	182		233		155		53		110	

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2013

- Conch Cement's turnover increased by 14.7% from RMB20,559 million for the six months ended June 30, 2012 to RMB23,587 million for the six months ended June 30, 2013, primarily due to an increase in sales in western and central China. Aggregate sales volume increased by 15.1% to 103 million tonnes for the six months ended June 30, 2013. Such increase in sales volume was attributable to the recovering market demand for cement in China.
- Conch Cement's cost of sales and services rendered increased by 12.7% from RMB15,103 million for the six months ended June 30, 2012 to RMB17,023 million for the six months ended June 30, 2013, primarily due to the increase in the sales volume.
- Conch Cement's gross profit increased by 20.3% from RMB5,456 million for the six months ended June 30, 2012 to RMB6,564 million for the six months ended June 30, 2013, and its gross margin increased from 26.5% to 27.8% over the same period. The increase in profitability was primarily the result of a decrease in per unit production cost, partially offset by a decrease in the selling price.

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- Conch Cement's operating profit increased by 12.2% from RMB4,204 million for the six months ended June 30, 2012 to RMB4,718 million for the six months ended June 30, 2013, and its operating margin remained relatively stable despite an increase in its gross margin. This was primarily because the operating expenses of Conch Cement increased as a percentage of its turnover for the six months ended June 30, 2013.
- As a result of the foregoing, Conch Cement's profit for the period increased by 6.2% from RMB2,986 million for the six months ended June 30, 2012 to RMB3,170 million for the six months ended June 30, 2013, and its net margin decreased from 14.5% for the six months ended June 30, 2012 to 13.4% for the six months ended June 30, 2013.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2012

- Conch Cement's turnover decreased by 5.9% from RMB48,654 million in 2011 to RMB45,766 million in 2012, primarily due to a decrease in sales in eastern and central China. Despite the aggregate sales volume increased by 18.3% to 187 million tonnes in 2012, the decrease in selling price offset the increase in sales volume and resulted in a decrease in the turnover. Such decrease was the result of decelerating growth in macro economy in China, which slowed down the growth in demand for cement in China.
- Conch Cement's cost of sales and services rendered increased by 12.9% from RMB29,477 million in 2011 to RMB33,265 million in 2012, which was largely in line with the increase in the sales volume.
- Conch Cement's gross profit decreased by 34.8% from RMB19,177 million in 2011 to RMB12,501 million in 2012, and its gross margin decreased from 39.4% to 27.3% over the same period. The decrease in profitability is primarily driven by declining selling prices, partially offset by a decrease in per unit production cost.
- Conch Cement's operating profit decreased by 43.9% from RMB16,547 million in 2011 to RMB9,284 million in 2012, and its operating margin decreased from 34.0% to 20.3% over the same period. This is primarily because the increase in sales volume and Conch Cement's expansion, which resulted in an increase in its operating expenses as a percentage of its turnover, coupled with the decrease in selling prices.
- As a result of the foregoing, Conch Cement's profit for the year decreased by 45.1% from RMB11,819 million in 2011 to RMB6,486 million in 2012, and its net margin decreased from 24.3% to 14.2% over the same period.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2011

- Conch Cement's turnover increased by 41.0% from RMB34,508 million in 2010 to RMB48,654 million in 2011, primarily due to increase in sales throughout China. Aggregate sales volume increased by 15.2% to 158 million tonnes in 2011. Increase in selling price also contributed to the growth in turnover. Such increases in sales volume and selling price were the result of growing market demand for cement in China.
- Conch Cement's cost of sales and services rendered increased by 25.1% from RMB23,566 million in 2010 to RMB29,477 million in 2011, primarily because an increase in the sales volume.

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- Conch Cement's gross profit increased by 75.3% from RMB10,942 million in 2010 to RMB19,177 million in 2011, and its gross margin increased from 31.7% in 2010 to 39.4% in 2011. The strong increase in profitability was primarily driven by rising selling prices. In particular, profitability of Conch Cement's 42.5 grade cement, 32.5 grade cement and clinker all increased to different extent.
- Conch Cement's operating profit increased by 92.4% from RMB8,599 million to RMB16,547 million, and its operating margin increased from 24.9% in 2010 to 34.0% in 2011. This is primarily because (i) the strong growth in the selling price and volume of Conch Cement's products; and (ii) Conch Cement's effort in strengthening the control and management in expenditure, which resulted in a decrease in its operating expenses as a percentage of its turnover.
- As a result of the foregoing, Conch Cement's profit for the year increased by 86.4% from RMB6,342 million in 2010 to RMB11,819 million in 2011, and its net margin increased from 18.4% in 2010 to 24.3% in 2011.

	<u>As of December 31,</u>			<u>As of</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>June 30,</u>
	(in RMB millions)			<u>2013</u>
Total non-current assets	46,906	57,783	63,902	64,363
Current Assets				
Inventories	2,493	4,378	4,038	4,054
Other investments	—	76	106	22
Trade receivables	6,404	10,939	8,389	5,461
Prepayment and other receivables	1,527	2,404	2,235	2,159
Amounts due from related parties	335	385	522	373
Tax recoverable	7	10	97	139
Restricted cash deposits	47	59	109	126
Bank deposits with maturity over three months	—	222	14	322
Cash and cash equivalents	2,689	7,747	8,111	8,801
Total current assets	13,502	26,220	23,621	21,457
Current Liabilities				
Trade payables	4,001	5,079	5,134	3,701
Other payables and accruals	4,615	6,640	5,706	4,911
Bank loans and other borrowings	3,172	3,197	2,658	4,716
Amounts due to related parties	367	337	271	381
Current portion of long-term payables	13	55	54	53
Obligation under finance leases	67	59	58	58
Current taxation	842	1,624	640	421
Total current liabilities	13,077	16,991	14,521	14,241
Net Current Assets	425	9,229	9,100	7,216
Total non-current liabilities	12,082	20,563	22,199	19,798
Total equity	35,249	46,449	50,803	51,781

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- Conch Cement's net current assets increased from RMB425 million as of December 31, 2010 to RMB9,229 million as of December 31, 2011, primarily due to significant increase in its (i) trade receivables, (ii) cash and cash equivalents and (iii) inventories, partially offset by increases in its (i) trade payables and (ii) other payables and accruals.
- Conch Cement's net current assets decreased from RMB9,229 million as of December 31, 2011 to RMB9,100 million as of December 31, 2012, primarily because a decrease in its trade and other receivables, partially offset by a decrease in its other payables and accruals.
- As of June 30, 2013, Conch Cement's net current assets further decrease to RMB7,216 million, primarily because (i) decrease in its trade receivables, (ii) increase in bank loans and other borrowings, partially offset by a decrease in its trade payables.

The consolidated income statements of Conch Cement for the nine months ended September 30, 2012 and 2013 are set out as below. The historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Nine Months Ended September 30,			
	2012		2013	
	RMB	%	RMB	%
	(in millions, except for percentages)			
Consolidated income statements				
Revenue	32,247	100.0	37,008	100.0
Cost of sales and services rendered	(24,153)	(74.9)	(26,054)	(70.4)
Gross profit	8,094	25.1	10,954	29.6
Other revenue	757	2.3	800	2.2
Other net income	16	0.1	27	0.1
Selling and marketing costs	(1,563)	(4.8)	(1,873)	(5.1)
Administrative expenses	(1,404)	(4.4)	(1,711)	(4.6)
Profit from operations	5,900	18.3	8,197	22.2
Finance cost	(814)	(2.5)	(846)	(2.3)
Share of losses of associates	(3)	—	(4)	—
Share of losses of joint ventures	(26)	(0.1)	(25)	(0.1)
Profit before taxation	5,057	15.7	7,322	19.8
Income tax	(1,020)	(3.2)	(1,672)	(4.5)
Profit for the period	4,037	12.5	5,650	15.3
Attributable to:				
Equity shareholders of the Company	3,958		5,393	
Non-controlling interests	79		257	

- For the nine months ended September 30, 2013, the Conch Cement's revenue increased by 14.8% as compared with the nine months ended September 30, 2012. The increase was primarily due to increase in sales volume of Conch Cement's products as a result of improving economy condition and recovering demand in the downstream industries.
- For the nine months ended September 30, 2013, the Conch Cement's cost of sales and services rendered increased by 7.9% as compared with the nine months ended September 30, 2012. The increase mainly reflected the increased sales volume but grew at a slower rate as compared with revenue growth.

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- As a result, gross profit increased by 35.3% and gross profit margin increased from 25.1% for the nine months ended September 30, 2012 to 29.6% for the same period in 2013, mainly due to lower cost of sales as a result of decreases in raw materials price and fuel cost. Profit from operations and profit for the period also increased by 38.9% and 40.0%, respectively, for the same reason.

	As of December 31, 2012	As of September 30, 2013
	(in RMB millions)	
Total Non-current Assets	63,902	66,024
Current Assets		
Inventories	4,038	3,680
Other investments	106	28
Trade receivables	8,389	5,904
Prepayment and other receivables	2,235	1,992
Amounts due from related parties	522	404
Tax recoverable	97	52
Restricted cash deposits	109	120
Bank deposits with maturity over three months	14	3,122
Cash and cash equivalents	8,111	6,979
Total current assets	23,621	22,281
Current Liabilities		
Trade payables	5,134	3,020
Other payables and accruals	5,706	6,158
Bank loans and other borrowings	2,658	3,625
Amounts due to related parties	271	437
Current portion of long-term payables	54	52
Obligation under finance leases	58	—
Current taxation	640	553
Total current liabilities	14,521	13,845
Net Current Assets	9,100	8,436
Total Non-current Liabilities	22,199	20,283
Total Equity	50,803	54,177

- The decrease in balance of Conch Cement's trade payables from December 31, 2012 to September 30, 2013 was mainly because Conch Cement derecognized certain outstanding endorsed bills to settle its accounts payable where the risks and rewards of ownership of these bills were substantially transferred.
- The increase in Conch Cement's short-term bank loans and borrowings from December 31, 2012 to September 30, 2013 was primarily due to the increase in the Conch Cement's current portion of long-term borrowings as of September 30, 2013 as compared to that at the beginning of the year.
- Inventories and trade receivables as at September 30, 2013 decreased by 8.9% and 29.6%, respectively, as compared with the end of 2012. The decrease was in line with the increased sales volume due to stronger demand of Conch Cement's products, as well as the quicker payment collection from customers reflecting a general recovery

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trend in cement's downstream sectors, and Conch Cement derecognized certain outstanding endorsed bills to settle its accounts payable where the risks and rewards of ownership of these bills were substantially transferred.

OUR RESULTS OF OPERATIONS

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2013

Turnover. Our turnover increased by 1.9% from RMB644.6 million in the six months ended June 30, 2012 to RMB656.7 million in the six months ended June 30, 2013, primarily due to an increase in the turnover generated from our port logistics services as we further ramped up the utilization rate of our port facilities in response to strong demand from the clients. Such increase was partially offset by a decrease in sales volume of our residual heat power generation solutions in China as the market demand for such solutions in China continued to decrease.

Cost of sales. Our cost of sales decreased by 2.9% from RMB434.8 million in the six months ended June 30, 2012 to RMB422.0 million in the six months ended June 30, 2013, primarily as a result of a decrease in the sales volume of our residual heat power generation solutions in China.

Gross profit. As a result of the foregoing, our gross profit increased by 11.9% from RMB209.8 million in the six months ended June 30, 2012 to RMB234.7 million in the six months ended June 30, 2013, and our gross margin increased from 32.6% in the six months ended June 30, 2012 to 35.7% in the six months ended June 30, 2013, primarily as the revenue contribution of our port logistics services that have a higher profit margin increased from 4.6% in the six months ended June 30, 2012 to 9.7% in the six months ended June 30, 2013.

Other revenue. Our other revenue increased by 40.4% from RMB5.2 million in the six months ended June 30, 2012 to RMB7.3 million in the six months ended June 30, 2013, primarily due to an increase in interest income from bank deposits.

Other net (loss)/income. We recorded other net loss of RMB0.1 million in the six months ended June 30, 2012 primarily as a result of the exchange loss we recorded in the period. We recorded other net income of RMB0.3 million in the six months ended June 30, 2013, primarily as a result of the exchange gain we recorded in the period.

Distribution costs. Our distribution costs increased by 12.0% from RMB9.2 million in the six months ended June 30, 2012 to RMB10.3 million in the six months ended June 30, 2013, primarily as a result of an increase in the fee we paid to the port authority due to the increase in throughput volume at the Yangzhou Haichang Port. As a percentage of our turnover, our distribution costs were 1.6% in the six months ended June 30, 2013 as compared with 1.4% in the six months ended June 30, 2012.

Administrative expenses. Our administrative expenses increased by 40.4% from RMB37.1 million in the six months ended June 30, 2012 to RMB52.1 million in the six months ended June 30, 2013, primarily as we made a provision for impairment loss of RMB8.0 million for our trade receivables in the six months ended June 30, 2013 while we reversed RMB1.7 million of these provisions in the six months ended June 30, 2012. As a percentage of our turnover, our administrative expenses increased from 5.8% in the six months ended June 30, 2012 to 7.9% in the six months ended June 30, 2013.

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Profit from operations. As a result of the foregoing, our profit from operations increased by 6.7% from RMB168.6 million in the six months ended June 30, 2012 to RMB179.9 million in the six months ended June 30, 2013, and our operating margin increased from 26.2% in the six months ended June 30, 2012 to 27.3% in the six months ended June 30, 2013.

Finance costs. Our net finance costs increased by 134.1% from RMB4.1 million in the six months ended June 30, 2012 to RMB9.6 million in the six months ended June 30, 2013, primarily because we were able to capitalize on the interests we paid on loans in connection with the construction of Yangzhou Haichang Port prior to its completion in April 2012.

Share of profit of an associate. Our share of profit of an associate remained stable at RMB547.4 million in the six months ended June 30, 2013 as compared with RMB547.2 million in the six months ended June 30, 2012, primarily as the profit attributable to equity holders of Conch Cement remained stable.

Income tax. Our income tax expenses decreased by 1.1% from RMB36.8 million in the six months ended June 30, 2012 to RMB36.4 million in the six months ended June 30, 2013. Our effective tax rate (excluding the non-taxable income of share of profit of an associate) remained relatively stable at 21.4% for the six months ended June 30, 2013, as compared with 22.3% for the six months ended June 30, 2012.

Profit for the year. As a result of the cumulative effects of the above factors, our profit for the year increased by 0.9% from RMB675.0 million in the six months ended June 30, 2012 to RMB681.3 million in the six months ended June 30, 2013. Our net margin decreased from 104.8% for the six months ended June 30, 2012 to 103.7% for the six months ended June 30, 2013.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2012

Turnover. Our turnover decreased by 21.0% from RMB1,582.0 million in 2011 to RMB1,250.4 million in 2012, primarily due to a decrease in sales volume of our residual heat power generation solutions in China as the market demand for such solutions in China and our vertical mills continued to decrease. Such decrease was partially offset by (i) an increase in the sales of our residual heat power generation solutions in overseas markets; (ii) an increase in the sales of our waste incineration solutions; and (iii) an increase in the turnover generated from our port logistics services as we ramped up the utilization rate of our port facilities.

Cost of sales. Our cost of sales decreased by 20.0% from RMB1,060.6 million in 2011 to RMB848.0 million in 2012, primarily as a result of a decrease in the sales volume of our residual heat power generation solutions in China.

Gross profit. As a result of the foregoing, our gross profit decreased by 22.8% from RMB521.4 million in 2011 to RMB402.4 million in 2012, and our gross margin decreased from 33.0% in 2011 to 32.2% in 2012 due to a decrease in the gross margin of our residual heat power generation solutions in the domestic market as a result of the intensified competition, which increase was partially offset by the higher profit margins of (i) our residual heat power generation solutions in overseas markets where we have stronger pricing power, (ii) our waste incineration solutions and (iii) our port logistics services.

Other revenue. Our other revenue increased by 42.0% from RMB8.1 million in 2011 to RMB11.5 million in 2012, primarily due to an increase in our interest income from bank deposits and government grant for the export of certain equipment we produced to be used in our residual heat power generation solutions overseas.

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Other net (loss)/income. We recorded other net income of RMB0.4 million in 2011, primarily as a result of the exchange gain we recorded in the period, while we recorded other net loss of RMB0.3 million in 2012 primarily as a result of the exchange loss we recorded in the period.

Distribution costs. Our distribution costs decreased by 15.5% from RMB22.0 million in 2011 to RMB18.6 million in 2012, which was in line with the decrease in our residual heat power generation solutions. As a percentage of our turnover, our distribution costs remained relatively stable at 1.5% in 2012 as compared with 1.4% in 2011.

Administrative expenses. Our administrative expenses decreased by 30.6% from RMB107.6 million in 2011 to RMB74.7 million in 2012, primarily as we made a provision for impairment loss of RMB40.3 million for our trade receivables in 2011 while we reversed RMB6.5 million of these provisions in 2012. Such a decrease was partially offset by a 41.9% increase in our research and development expenses from RMB16.0 million in 2011 to RMB22.7 million in 2012. As a percentage of our turnover, our administrative expenses decreased from 6.8% in 2011 to 6.0% in 2012.

Profit from operations. As a result of the foregoing, our profit from operations decreased by 19.9% from RMB400.2 million in 2011 to RMB320.4 million in 2012, and our operating margin increased from 25.3% in 2011 to 25.6% in 2012.

Finance costs. Our net finance costs increased significantly from RMB0.4 million in 2011 to RMB13.9 million in 2012, primarily as we were required to account the interest paid on the loans for the construction of Yangzhou Haichang Port after March 2012 as finance costs in the combined income statement following its completion, while we were able to capitalize on such interests in 2011 as Yangzhou Haichang Port was under construction for most of the year.

Share of profit of an associate. Our share of profit of an associate decreased by 43.0% from RMB2,062.9 million in 2011 to RMB1,176.2 million in 2012, primarily due to a decrease in profit attributable to equity holders of Conch Cement, which in turn was the result of a decrease in the selling prices of cement.

Income tax. Our income tax expenses decreased by 14.1% from RMB77.2 million in 2011 to RMB66.3 million in 2012, primarily as a result of the decrease in our profit from operations. Our effective tax rate (excluding the non-taxable income of share of profit of an associate) increased from 19.3% in 2011 to 21.6% in 2012, primarily as the profit from CK Equipment decreased, who has obtained the high and new technology enterprise certificate and has been entitled to a preferential tax rate of 15%.

Profit for the year. As a result of the cumulative effect of the above factors, our profit for the year decreased by 40.6% from RMB2,385.6 million in 2011 to RMB1,416.4 million in 2012. Our net margin decreased from 150.8% in 2011 to 113.3% in 2012.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2011

Turnover. Our turnover decreased by 12.7% from RMB1,812.2 million in 2010 to RMB1,582.0 million in 2011, primarily due to a decrease in sales volume of our residual heat power generation solutions in China as the market demand for such solution in China peaked in 2010 and started to decline in 2011 as the market began to saturate. The sales of our vertical mills also decreased as the PRC government restricted the establishment of additional cement plants that are the major customers of our vertical mills.

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Cost of sales. Our cost of sales decreased by 8.6% from RMB1,160.8 million in 2010 to RMB1,060.6 million in 2011, primarily as a result of a decrease in the sales volume of our residual heat power generation solutions in China.

Gross profit. As a result of the foregoing, our gross profit decreased by 19.9% from RMB651.3 million in 2010 to RMB521.4 million in 2011, and our gross margin decreased from 35.9% in 2010 to 33.0% in 2011 primarily due to a decrease in the gross margin of our residual heat power generation solutions in the domestic market as a result of the intensified competition.

Other revenue. Our other revenue decreased by 15.6% from RMB9.6 million in 2010 to RMB8.1 million in 2011, primarily due to a decrease in our interest income on our bank deposits.

Other net (loss)/income. We recorded other net losses of RMB0.1 million in 2010 primarily as a result of the exchange loss we recorded in the period, while we recorded other net income of RMB0.4 million in 2011, primarily as a result of the exchange gain we recorded in the period.

Distribution costs. Our distribution costs decreased by 15.1% from RMB25.9 million in 2010 to RMB22.0 million in 2011, which was in line with the decrease in the sales of our residual heat power generation solutions. As a percentage of our turnover, our distribution costs remained relatively stable at 1.4% in 2011 as compared with 1.4% in 2010.

Administrative expenses. Our administrative expenses increased by 38.8% from RMB77.5 million in 2010 to RMB107.6 million in 2011, primarily as we made a provision for impairment loss of RMB40.3 million for our trade receivables in 2011, and our research and development expenses increased by 37.9% from RMB11.6 million to RMB16.0 million. As a percentage of our turnover, our administrative expenses increased from 4.3% in 2010 to 6.8% in 2011.

Profit from operations. As a result of the foregoing, our profit from operations decreased by 28.2% from RMB557.5 million in 2010 to RMB400.2 million in 2011, and our operating margin decreased from 30.7% in 2010 to 25.3% in 2011.

Finance costs. Our finance costs decreased by 63.6% from RMB1.1 million in 2010 to RMB0.4 million in 2011.

Share of profit of an associate. Our share of profit of an associate increased by 85.4% from RMB1,112.6 million in 2010 to RMB2,062.9 million in 2011, primarily due to an increase in profit attributable to equity holders of Conch Cement, which in turn was the result of an increase in the selling prices of cement.

Income tax. Our income tax expenses decreased by 30.8% from RMB111.6 million in 2010 to RMB77.2 million in 2011, primarily as a result of the decrease in our profit from operations. Our effective tax rate (excluding the non-taxable income of share of profit of an associate) decreased from 20.1% in 2010 to 19.3% in 2011, primarily as a result of the profit from CK Equipment largely increased due to its sales of a new type of products with higher gross profit margins, which contributed more profit that was applicable to a preferential tax rate of 15%, as CK Equipment has obtained the high and new technology enterprise certificate.

Profit for the year. As a result of the cumulative effect of the above factors, our profit for the year increased by 53.2% from RMB1,557.3 million in 2010 to RMB2,385.6 million in 2011. Our net margin increased from 85.9% in 2010 to 150.8% in 2011.

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LIQUIDITY AND CAPITAL RESOURCES

Overview

To date, we have financed our operations and capital expenditure primarily through cash from our operations and proceeds from bank loans. As of June 30, 2013, we had RMB246.7 million in cash and cash equivalents, substantially all of which were denominated in Renminbi. Our cash and cash equivalents primarily consist of cash on hand and demand deposits.

The following table sets forth a summary of our cash flows for the periods indicated:

	<u>Year Ended December 31,</u>			<u>Six Months Ended</u>	
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>June 30,</u>	<u>2013</u>
	(in RMB thousands)				
Net cash generated from operating activities . . .	224,178	161,922	153,854	51,982	150,318
Net cash used in investing activities . . .	(208,312)	(226,821)	(163,550)	(65,205)	(140,129)
Net cash used in financing activities . . .	<u>(199,278)</u>	<u>(197,556)</u>	<u>(30,876)</u>	<u>(77,175)</u>	<u>(39,864)</u>
Net decrease in cash and cash equivalents	(183,412)	(262,455)	(40,572)	(90,398)	(29,675)
Cash and cash equivalents at the beginning of the year/period	<u>762,827</u>	<u>579,415</u>	<u>316,960</u>	<u>316,960</u>	<u>276,388</u>
Cash and cash equivalents at the end of the year/period . . .	<u>579,415</u>	<u>316,960</u>	<u>276,388</u>	<u>226,562</u>	<u>246,713</u>

Operating Activities

Net cash generated from operating activities in the six months ended June 30, 2013 was RMB150.3 million, which was primarily attributable to our profit before taxation of RMB717.7 million, adjusted to deduct the share of profits of an associate of RMB541.9 million and add back depreciation and amortization of RMB23.0 million and the finance costs of RMB9.6 million that is accounted for as cash outflow from financing activities. The amount was partially offset by cash outflow due to (i) a decrease in trade and other payables of RMB60.4 million; (ii) the payment of income tax of RMB36.7 million; and (iii) an increase in trade and other receivables of RMB35.0 million; and then add back the cash inflow from a decrease in inventories of RMB75.9 million. Our trade payables decreased primarily as we typically settle a larger amount of trade payables in the first half of the year. On the other hand, we continue to extend a longer credit period to our customers in response to the general economic condition in China, which resulted an increase in our trade receivables.

Net cash generated from operating activities in the six months ended June 30, 2012 was RMB52.0 million, which was primarily attributable to our profit before taxation of RMB711.7 million, adjusted to deduct the share of profits of an associate of RMB544.2 million and add back depreciation and amortization of RMB16.1 million and the finance costs of RMB4.1 million that is accounted for as cash outflow from financing activities. The amount was partially offset by cash outflow due to (i) the payment of income tax of RMB80.1 million; (ii) a decrease in trade

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and other payables of RMB61.4 million; and (iii) an increase in inventories of RMB12.3 million; and then add back the cash inflow from a decrease in trade and other receivables of RMB23.2 million.

Net cash generated from operating activities in 2012 was RMB153.9 million, which was primarily attributable to our profit before taxation of RMB1,482.7 million, adjusted to deduct the share of profits of an associate of RMB1,171.5 million and add back depreciation and amortization of RMB34.4 million and the finance costs of RMB13.9 million that is accounted for as cash outflow from financing activities. The amount was partially offset by cash outflow due to (i) a decrease in trade and other payables of RMB97.1 million; (ii) the payment of income tax of RMB95.3 million; and (iii) an increase in inventories of RMB38.5 million; and then add back the cash inflow from a decrease in trade and other receivables of RMB40.6 million.

Net cash generated from operating activities in 2011 was RMB161.9 million, which was primarily attributable to our profit before taxation of RMB2,462.8 million, adjusted to deduct the share of profits of an associate of RMB2,038.3 million and add back (i) an impairment loss of RMB40.3 million; and (ii) depreciation and amortization of RMB20.4 million. The amount was partially offset by cash outflow due to (i) an increase in trade and other receivables of RMB134.8 million; (ii) the payment of income tax of RMB116.7 million; (iii) a decrease in trade and other payables of RMB35.4 million; and (iv) an increase in inventories of RMB29.4 million. The increase in our trade receivables was primarily due to a longer credit period to accommodate the liquidity pressure faced by our customers, primarily cement companies.

Net cash generated from operating activities in 2010 was RMB224.2 million, which was primarily attributable to our profit before taxation of RMB1,669.0 million, adjusted to deduct the share of profits of an associate of RMB1,072.7 million; and add back depreciation and amortization of RMB13.2 million. The amount was partially offset by cash outflow due to (i) an increase in trade and other receivables of RMB226.5 million; (ii) the payment of income tax of RMB132.8 million; and (iii) a decrease in trade and other payables of RMB81.6 million; and then add back the cash inflow from a decrease in inventories of RMB63.1 million. The increase in our trade receivables was primarily due to a longer credit period to accommodate the liquidity pressure faced by our customers, primarily cement companies.

Investing Activities

Net cash used in investing activities in the six months ended June 30, 2013 was RMB140.1 million, which was primarily attributable to (i) purchases of available-for-sale securities of RMB81.0 million; and (ii) payment for the purchase of property, plant and equipment of RMB65.0 million for the Yangzhou Haichang Port and CK Engineering. The amount was partially offset by interest income of RMB5.9 million.

Net cash used in investing activities in the six months ended June 30, 2012 was RMB65.2 million, which was primarily attributable to payment for the purchase of property, plant and equipment of RMB68.6 million in connection with the construction of port facilities at Yangzhou Haichang Port. The amount was partially offset by interest income of RMB3.4 million.

Net cash used in investing activities in 2012 was RMB163.6 million, which was primarily attributable to payment for the purchase of property, plant and equipment of RMB172.6 million in connection with the construction of port facilities at Yangzhou Haichang Port, which completed in April 2012. The amount was partially offset by interest income of RMB9.0 million.

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Net cash used in investing activities in 2011 was RMB226.8 million, which was primarily attributable to payment for the purchase of property, plant and equipment of RMB197.1 million in connection with the construction of port facilities at Yangzhou Haichang Port. The amount was partially offset by interest income of RMB7.5 million.

Net cash used in investing activities in 2010 was RMB208.3 million, which was primarily attributable to (i) payment for the purchase of property, plant and equipment of RMB197.1 million in connection with the construction of port facilities at Yangzhou Haichang Port; and (ii) prepayments for leases of RMB20.2 million. The amount was partially offset by interest income of RMB8.7 million.

Financing Activities

Net cash used in financing activities in the six months ended June 30, 2013 was RMB39.9 million, which was primarily attributable to (i) repayment of loans of RMB220.0 million; and (ii) profit distributed to then equity holders and non-controlling interests of RMB110.3 million. The amount was partially offset by proceeds from new loans and borrowings of RMB240.0 million.

Net cash used in financing activities in the six months ended June 30, 2012 was RMB77.2 million, which was primarily attributable to profit distributed to then equity holders and non-controlling interests of RMB107.1 million. The amount was partially offset by proceeds from new loans and borrowings of RMB30.0 million.

Net cash used in financing activities in 2012 was RMB30.9 million, which was primarily attributable to (i) profit distributed to then equity holders and non-controlling interests of RMB250.1 million; and (ii) repayment of loans of RMB200.0 million. The amount was partially offset by proceeds from new loans and borrowings of RMB420.0 million.

Net cash used in financing activities in 2011 was RMB197.6 million, which was primarily attributable to (i) profit distributed to then equity holders and non-controlling interests of RMB297.6 million; and (ii) repayment of loans of RMB100.0 million. The amount was partially offset by proceeds from new loans and borrowings of RMB200.0 million.

Net cash used in financing activities in 2010 was RMB199.3 million, which was primarily attributable to profit distributed to then equity holders and non-controlling interests of RMB299.3 million. The amount was partially offset by proceeds from new loans and borrowings of RMB100.0 million.

COMMITMENTS

As of June 30, 2013, our commitments consisted of (i) acquisition of property, plant and equipment that has been contracted for of RMB9.2 million; and (ii) operating lease commitments of RMB4.6 million, of which RMB2.8 million were payable within one year.

Other than the contractual obligations set forth above, we do not have any other long-term debt obligations, operating lease commitments, capital commitments or other long-term liabilities.

CAPITAL EXPENDITURES

Our capital expenditures include payment for the purchase of property, plant and equipment. We made capital expenditures of RMB197.1 million, RMB197.1 million, RMB172.6 million and RMB65.0 million in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. In the past, our capital expenditures were used primarily for the construction of the

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port facilities at the Yangzhou Haichang Port and the procurement of relevant equipment and machinery. We plan to fund our capital expenditures in 2013 with our existing cash and cash equivalents, cash flow generated from operating activities, bank loans and proceeds from the Global Offering.

WORKING CAPITAL

The table below sets forth the details of our current assets and liabilities at the respective dates:

	As of December 31,			As of	As of
	2010	2011	2012	June 30, 2013	October 31, 2013
	(in RMB thousands)				
Current Assets					
Available-for-sale securities	—	—	—	81,080	—
Inventories	195,673	225,106	263,630	187,693	308,394
Trade and other receivables	872,394	801,532	779,557	836,911	721,657
Restricted bank deposits	—	—	—	4,000	4,000
Bank deposits with maturity over three months	—	38,070	38,070	38,070	17,790
Cash and cash equivalents	579,415	316,960	276,388	246,713	701,052
Total current assets	1,647,482	1,381,668	1,357,645	1,394,467	1,752,893
Current Liabilities					
Loans and borrowings	100,000	200,000	390,000	771,000	548,634
Trade and other payables	1,006,531	978,504	897,849	859,148	904,855
Income tax payables	61,029	39,463	8,083	11,162	9,316
Total current liabilities	1,167,560	1,217,967	1,295,932	1,641,310	1,462,805
Net Current Assets/(Liabilities)	479,922	163,701	61,713	(246,843)	290,088

Our net current assets decreased from RMB479.9 million as of December 31, 2010 to RMB163.7 million as of December 31, 2011, and further decreased to RMB61.7 million as of December 31, 2012. The decrease in our net current assets throughout the Track Record Period was primarily due to (i) the continued decrease in our cash at bank and in hand; (ii) the continued decrease in our trade and other receivables; and (iii) the continued increase in our loans and borrowings; partially offset by (i) the continued increase in our inventories; and (ii) the continued decrease in our trade and other payables. The decreases in both our trade and other receivables and trade and other payables throughout the Track Record Period resulted from a decrease in the sales of our residual heat power generation solutions in China. The increases in our inventories from 2010 to 2012 were attributable to delay in construction work undertaken by our clients for certain of our residual heat power generation projects. Such delay was primarily the result of (i) delay in approval process by the cement plant; and (ii) delay in construction work undertaken by our clients. We experienced six cases of delay during the Track Record Period. We believe such delays are not repetitive in nature. Furthermore, the balance of our loans and borrowings continued to increase as we continued to finance the construction of port facilities at the Yangzhou Haichang Port through loans and borrowings. As of June 30, 2013, we recorded net current liabilities of RMB246.8 million, primarily as a result of a substantial increase in our loans and borrowings, as we assumed bank loans of RMB750.0 million as part of consideration during our Reorganization, of which RMB600.0 million was due within one year as of June 30, 2013. See “History, Development and Reorganization”. In October 2013, we have negotiated with the lending banks to extend the repayment term of our short-term loans of RMB600.0 million.

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Our Directors confirm that our current cash and cash equivalents, anticipated cash flow from operations and proceeds from the Global Offering will be sufficient to meet our anticipated cash needs, including our working capital and capital expenditures requirements for at least the next 12 months from the date of this prospectus. In particular, we have (i) negotiated with the lending banks to extend the repayment term of our short-term loans of RMB600.0 million and reclassify these loans as long-term loans; and (ii) negotiated for increasing our existing banking facilities. As of October 31, 2013, our unutilized banking facilities amounted to approximately RMB1.5 billion. We also received dividend from Conch Holdings of approximately RMB114 million in October 2013, which will further strengthen our liquidity and working capital. Our future cash requirements will depend on many factors, including our operating income, market acceptance of our products and services or other changing business conditions and future developments, including any investments or acquisitions we may decide to pursue. We may require additional cash to repay existing debt obligations or to re-finance our existing debts due to changing business conditions or other future developments. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities, debt securities or borrow from lending institutions. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would dilute our Shareholders' interests in our Company. The incurrence of debt would divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our Shareholders. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer.

INDEBTEDNESS

As of June 30, 2013, our outstanding loans and borrowings due within one year amounted to RMB771.0 million. As of June 30, 2013, our outstanding long-term bank loans (net of amount due within one year) amounted to RMB419.0 million. The interest rate on our bank loans ranged from 4.8% to 6.4%, while the interest rate on our loans from CV Investment ranged from 5.31% to 6.56%. Our loans and borrowings were primarily used to finance the construction of port facilities at Yangzhou Haichang Port. In addition, as part of the consideration in our reorganization, we assumed bank loans of RMB750.0 million on June 30, 2013. As of October 31, 2013, we settled the loans from CV Investment of RMB80.0 million. In the process of Reorganization, we incurred loan of HK\$99.1 million (RMB78.6 million, based on the exchange rate at the time of the loan) from HLGH Investment. In November 2013, we obtained banking facilities of HK\$100 million (RMB78.7 million) from Industrial and Commercial Bank of China (Asia) Limited, an Independent Third Party, for the purpose of replacing such shareholder's loan before listing. Although the banking facilities have been arranged, our Group plans to use part of

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the proceeds from the Global Offering to fully repay such shareholder's loan shortly after receiving such proceeds (which is expected to be within 10 business days after the date of Listing) to save the related interest costs instead. See "History, Development and Reorganization". The following table is a summary of our borrowings at the respective dates:

	As of December 31,			As of	As of
	2010	2011	2012	June 30, 2013	October 31, 2013
	(in RMB thousands)				
Due within one year					
Bank loans	—	—	90,000	691,000	470,061
Loans from CV Investment	100,000	200,000	300,000	80,000	—
Shareholder's loan	—	—	—	—	78,573
Subtotal	100,000	200,000	390,000	771,000	548,634
Due after one year but within two years					
Bank loans	—	—	30,000	235,000	955,000
Due after two years but within five years					
Bank loans	—	—	—	184,000	184,000
Subtotal	—	—	30,000	419,000	1,139,000
Total	100,000	200,000	420,000	1,190,000	1,687,634

As of June 30, 2013, our bank loans due within one year of RMB621.0 million and due after one year of RMB419.0 million were guaranteed by CV Investment. All of the guarantees made by CV Investment had been released in November 2013. In addition, as at June 30, 2013, our bank deposits of RMB4.0 million were used to secure our bills payable. During the Track Record Period, none of our loans was subject to any restrictive covenants.

During the Track Record Period and up to the Latest Practicable Date, we have never defaulted in repaying our bank borrowings or trade and other payables.

MAJOR LIQUIDITY RATIOS

The following table sets forth the major liquidity ratios as at the end of each of the reporting periods:

	As of December 31,			As of
	2010	2011	2012	June 30, 2013
	(%)			
Debt to equity ratio ⁽¹⁾	1.4	2.3	4.4	12.9
Current ratio ⁽²⁾	141.1	113.4	104.8	85.0
Quick ratio ⁽³⁾	124.3	95.0	84.4	73.5

- (1) Debt to equity ratio is calculated by dividing total loans and borrowings by total equity.
(2) Current ratio is calculated by dividing current assets by current liabilities.
(3) Quick ratio is calculated by dividing current assets less inventory by current liabilities.

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Debt to Equity Ratio

Our debt to equity ratio increased from 1.4% as of December 31, 2010 to 2.3% as of December 31, 2011 and further increased to 4.4% as of December 31, 2012, primarily as we financed the construction of port facilities at Yangzhou Haichang Port through loans and borrowings, which resulted in the continued increase in the balance of our loans and borrowings. Such increase was partially offset by the increases our total equity as the value of our property, plant and equipment, including our production facilities for the key component of our residual heat power generation systems and waste incineration systems, as well as the port facilities at Yangzhou Haichang Port, as well as the interest in Conch Holdings. Our debt to equity ratio further increased to 12.9% as of June 30, 2013, primarily as we assumed bank loans of RMB750.0 million as part of consideration during our reorganization, of which RMB600.0 million was due within one year as of June 30, 2013. See “History, Development and Reorganization”.

Current Ratio

Our current ratio decreased from 141.1% as of December 31, 2010 to 113.4% as of December 31, 2011, and further decrease to 104.8% as of December 31, 2012, primarily due to (i) the continued decrease in our cash at bank and in hand; (ii) the continued decrease in our trade and other receivables; and (iii) the continued increase in our loans and borrowings; partially offset by (i) the continued increase in our inventories; and (ii) the continued decrease in our trade and other payables. As of June 30, 2013, our current ratio further decreased to 85.0% primarily as we assumed bank loans of RMB750.0 million as part of consideration during our Reorganization, of which RMB600.0 million was due within one year as of June 30, 2013, which result in a significant increase in our current liabilities. See “History, Development and Reorganization”.

Quick Ratio

Our quick ratio decreased from 124.3% as of December 31, 2010 to 95.0% as of December 31, 2011, and further decrease to 84.4% as of December 31, 2012, primarily due to (i) the continued decrease in our cash at bank and in hand; (ii) the continued decrease in our trade and other receivables; (iii) the continued increase in our loans and borrowings; and (iv) the continued increase in our inventories; partially offset by the continued decrease in our trade and other payables. As of June 30, 2013, our quick ratio further decreased to 73.5% primarily as we assumed bank loans of RMB750.0 million as part of consideration during our reorganization as of June 30, 2013, of which RMB600.0 million was due within one year, which result in a significant increase in our current liabilities. See “History, Development and Reorganization”.

ANALYSIS OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Inventory Analysis

During the Track Record Period, inventories were one of the principal components of our current assets. Our inventories comprise primarily of raw materials and components we procured for our residual heat power generation solutions and the production of vertical mills, key equipment for residual heat power generation and waste incineration solutions. According to our inventory policy, we procure the major components and equipment used in our residual heat power generation or waste incineration projects or our vertical mills based on the sales agreements we have entered into, and we typically keep six months of other generic raw materials such as certain non-customized steel parts to satisfy our production need. We also keep a number of spare parts and components.

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The following table the balance of our inventories at the end of each reporting period:

	<u>As of December 31,</u>			<u>As of</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>June 30,</u>
	(in RMB thousands)			2013
Raw materials	75,217	106,877	107,031	102,888
Work in progress	4,225	10,128	21,820	21,019
Finished goods	99,181	106,988	117,457	58,023
Goods in transit	<u>17,050</u>	<u>1,113</u>	<u>17,322</u>	<u>5,763</u>
Total inventory	<u>195,673</u>	<u>225,106</u>	<u>263,630</u>	<u>187,693</u>

The value of our inventory increased by 15.0% from RMB195.7 million as of December 31, 2010 to RMB225.1 million as of December 31, 2011, and further increased by 17.1% to RMB263.6 million as of December 31, 2012. As of June 30, 2013, the value our inventory decreased by 28.8% to RMB187.7 million, primarily as we sold out a large volume of finished goods in connection with certain residual heat power generation projects in Western China. Of the RMB187.7 million of inventories as of June 30, 2013, RMB145.8 million or 77.7% had been utilized or sold as of October 31, 2013.

The following table sets forth our inventory turnover days for the Track Record Period:

	<u>Year Ended December 31,</u>			<u>Six Months</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Ended</u>
				<u>June 30,</u>
				<u>2013</u>
Inventory turnover days ⁽¹⁾	71	72	105	97

(1) Calculated using the average of opening balance and closing balance of inventory for a year/period divided by cost of sales for the relevant year/period and multiplied by 365 days or 181 days, as applicable.

Our inventory turnover days increased from 71 days in 2010 to 72 days in 2011, and further increased to 105 days in 2012, primarily due to the delays in certain of our residual heat power generation projects, which were primarily the result of (i) delay in approval process by the cement plant; and (ii) delay in construction work undertaken by our clients. In the six months ended June 30, 2013, as we sold out a large volume of finished goods in connection with certain residual heat power generation projects in Western China, our inventory turnover days decreased to 97 days. Going forward, we expect our inventory turnover days to remain relatively stable as we continue to increase our sales to overseas customers.

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. We reassess these estimations at the end of reporting period to ensure inventory is stated at the lower of cost and net realizable value. No inventory provision was made as at December 31, 2010, 2011 and 2012 and June 30, 2013. The inventories as at December 31, 2010, 2011 and 2012 and June 30, 2013 were stated at cost.

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Trade and Other Receivables Analysis

The following table sets forth our trade and other receivables at the end of each reporting period:

	<u>As of December 31,</u>			<u>As of</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>June 30,</u>
	(in RMB thousands)			<u>2013</u>
Trade receivables.	479,660	355,028	365,851	397,246
Gross amounts due from customers for construction contract work	—	38,728	94,738	68,220
Bills receivable.	93,079	100,634	136,071	176,462
Less: allowance for doubtful debts.	—	(40,332)	(33,820)	(41,818)
Trade and notes receivables.	<u>572,739</u>	<u>454,058</u>	<u>562,840</u>	<u>600,110</u>
Deposits and prepayments	50,717	100,888	56,548	36,543
Other receivables.	7,129	10,515	62,687	44,334
Amount due from related parties	241,809	236,071	97,482	155,924
Including: amount due from Conch Cement	241,069	222,627	97,343	155,924
Non-current portion of gross amounts due from customers for construction contract work	—	165,302	153,193	122,824
Total trade and other receivables	<u>872,394</u>	<u>966,834</u>	<u>932,750</u>	<u>959,735</u>

Our trade receivables represent receivables from our clients for sales of our solutions. Our trade receivables decreased from RMB479.7 million as of December 31, 2010 to RMB355.0 million as of December 31, 2011. The decrease was due primarily to the continued decrease in the sales of our residual heat power generation solutions in China. As of December 31, 2012 and June 30, 2013, our trade receivables increased to RMB365.9 million and further to RMB397.2 million, primarily due to the longer credit period we extended to our customers as an accommodation in response to the general economic condition in China. Of the RMB397.2 million trade and other receivables outstanding as of June 30, 2013, RMB125.8 million or 31.7% had been settled as of October 31, 2013.

Deposits and prepayments primarily included prepayments for raw materials purchase for vertical mill, waste heat power generation related equipment. Other receivables primarily included deductible or refundable output VAT, deposits in customers and others. Other payables primarily included salary and welfare payables, other taxes payables, construction payables and others. For a fixed price contract where the revenue recognized under the percentage of completion method exceeds the amounts billed to our customers under progressive billing, the excessive amount is accounted as gross amount due from customers for contract work. The aggregate amount of costs incurred plus recognized profits to date for contracts in progress (include the amount due from customers for contract work) as of December 31, 2010, 2011 and 2012 and June 30, 2013 were RMB99.8 million, RMB380.9 million, RMB349.6 million and RMB284.2 million, respectively. These amounts are expected to be recovered in accordance with the term of the contract. In respect of construction contracts already completed at the end of the reporting period, the amount of retention receivable from clients (included as our trade receivables) as of December 31, 2010, 2011 and 2012 and June 30, 2013 were RMB6.0 million, RMB5.7 million RMB28.2 million and RMB8.2 million, respectively. Gross amounts due from customers for construction contract work is presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. Such amounts are converted into trade receivables upon billing

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to our customers. Based on the term of construction contracts, of the RMB191.0 million as of June 30, 2013, RMB27.3 million, RMB63.5 million, RMB63.5 million RMB18.4 million and RMB18.4 million will be converted into trade receivables before December 31, 2013, December 31, 2014, December 31, 2015, December 31, 2016 and December 31, 2017 respectively.

Turnover days

The following table sets forth our trade receivables turnover days for the Track Record Period:

	Year Ended December 31,			Six Months Ended June 30,
	2010	2011	2012	2013
Trade receivables turnover days ⁽¹⁾	120	149	151	140

(1) Calculated using the average of opening balance and closing balance of trade receivables and amount due from Conch Cement for a year/period divided by turnover for the relevant year/period and multiplied by 365 days or 181 days, as applicable.

Our trade receivables turnover days increased from 120 days in 2010 to 149 days in 2011, and slightly increased to 151 days in 2012. These increases were primarily attributable to the longer credit period we extended to our customers as an accommodation in response to the general economic condition in China and our use of BT arrangement to carry out residual heat power generation and waste incineration projects beginning in 2012. In the six months ended June 30, 2013, primarily due to increases in turnover contribution from equipment sales and port logistics services, our trade receivables turnover days decreased to 140 days.

Payment Arrangements

Residual Heat Power Generation and Waste Incineration

Under our EP or EPC arrangements, we typically have the following payment arrangements for different phases:

Design and Engineering Phase:

We typically require our clients to pay:

- 30% of the design and engineering contract price as prepayment. We would start the design and engineering upon receipt of payment;
- 30% of the design and engineering contract price upon our submission of an advanced draft of design and engineering plan to our client;
- 30% of the design and engineering contract price upon completion of the design and engineering plan;
- 5% of the design and engineering contract price upon completion and acceptance inspection of the whole project;
- 5% of the design and engineering contract price upon completion of the warranty period.

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Equipment Procurement and Production Phase:

We typically require our clients to pay:

- 30% of the equipment procurement and production contract price as prepayment. The prepayment is due within 15 days upon signing the contract;
- 30% of the equipment procurement and production contract price when the production progress of the key equipment such as boilers and gasification furnace produced by ourselves and steam turbine and generators produced by our suppliers, reaches 60%;
- 20% of the equipment procurement and production contract price upon completion of pre-delivery inspection performed by our clients;
- 10% of the equipment procurement and production contract price upon delivery of the key equipment to our clients' site;
- 5% of the equipment procurement and production contract price upon completion and acceptance inspection of the whole project;
- 5% of the equipment procurement and production contract price upon completion of the warranty period.

Construction Phase (not applicable to EP arrangements):

We typically require our clients to pay:

- 10% of the construction contract price as prepayment. The prepayment is due within 15 days upon signing the contract;
- 15% of the construction contract price when the construction team arrive the clients sites;
- 60% of the construction contract price as progress payment, which is to be settled monthly in accordance with the construction progress, until the construction work is completed;
- 5% of the construction contract price upon completion of the acceptance inspection by our clients;
- 5% of the construction contract price upon completion of the performance evaluation;
- 5% of the construction contract price upon completion of the warranty period.

We typically grant our customer a credit period of 30 days, and these payments are typically due within 30 days upon issuance of the invoice.

For contracts we perform overseas, we typically accept letter of credit to settle the payment, and the settlement cycle can be slightly longer than payment from customers in China.

Under the BT arrangements, we typically require our clients to pay the total contract price in a span of one to four years after the completion of the project. The lump sum payment typically includes the interests on the progress payments our clients would have been required to pay under the EPC arrangement.

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Port Logistics Services

We typically enter into one-year agreement with our customers with an indicative annual transshipment volume, and our customers will settle the service fee due for the actual transshipment volume monthly. In addition, the transshipment service agreement typically provides for a free storage period for our customers.

Ageing analysis

The following table sets out the ageing analysis of our trade and notes receivables at the end of each reporting period:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in RMB thousands)			
Within 1 year	421,991	323,946	452,164	511,036
After 1 year but within 2 years	150,748	46,933	89,419	54,108
After 2 years but within 3 years	—	83,179	6,901	22,863
After 3 years but within 5 years	—	—	14,356	12,103
Total	572,739	454,058	562,840	600,110
Current	286,433	243,669	332,703	305,008
Less than 1 year past due	286,306	185,509	195,711	267,556
1–2 years past due	—	24,880	34,426	27,546
Total	572,739	454,058	562,840	600,110

As of December 31, 2010, 2011 and 2012 and June 30, 2013, RMB286.3 million, RMB210.4 million, RMB230.1 million and RMB295.1 million of our trade and notes receivables were past due but not impaired. These receivables relate to a number of independent customers that have a good track record with us. Based on our past experiences, our management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Our management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-off would be higher than estimated. Our management reassesses the impairment of trade and other receivables at the end of reporting period. The following table sets forth the movement in the allowance for doubtful debts at the end of each reporting period:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in RMB thousands)			
As of January 1	—	—	40,332	33,820
Impairment loss recognized	—	40,332	—	7,998
Impairment loss reversed	—	—	(6,512)	—
As of December 31	—	40,332	33,820	41,818

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As of December 31, 2010, 2011, 2012 and June 30, 2013, we recorded allowances for doubtful debts of nil, RMB40.3 million, RMB33.8 million and RMB41.8 million. Impairment losses in respect of trade receivables and bills receivable are recorded using an allowance account unless we conclude that the recovery of such amount is remote, in which case such amount will be written off. Based on our assessment, there were no individually impaired trade receivables as of December 31, 2010, 2011 and 2012. However, in 2011, in view of the general industry condition and economic condition in China, and increase in our long outstanding trade receivables, we provided allowances for doubtful debts on a collective basis in the amount of RMB40.3 million. The Directors are of the view that the allowance for doubtful debts under trade receivables as of June 30, 2013 are adequate and that the accounting policies on provisions for impairment of trade receivables are appropriate.

Trade and Other Payables Analysis

The following table sets forth our trade and other payables at the end of each reporting period:

	<u>As of December 31,</u>			<u>As of</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>June 30,</u>
	(in RMB thousands)			<u>2013</u>
Trade payables	412,600	355,650	311,811	283,293
Bills payable	44,508	127,801	137,314	144,048
Receipts in advance	149,936	177,349	46,587	62,097
Other payables and accruals	142,894	128,299	120,828	122,707
Amounts due to related parties	256,593	189,405	281,309	247,003
Total trade and other payables	<u>1,006,531</u>	<u>978,504</u>	<u>897,849</u>	<u>859,148</u>

Our trade and bills payables primarily consist of trade payables to suppliers of raw materials, and bills payable in connection with the purchase of raw materials and components and property, plant and equipment. All of our trade and bills payables are expected to be settled within one year. Our trade payables continued to decrease throughout the Track Record Period primarily due to the decrease in procurement of raw materials and components from our suppliers as the demand for our residual heat power generation solutions in China decreased beginning in 2011. Amounts due to related parties of RMB247.0 million as of June 30, 2013 were of trade nature during ordinary course of business, and we plan to settle these amounts based on the relevant contract terms. On the other hand, we plan to settle all the payables to related parties that are not of trade nature before Listing. Of the RMB283.3 million trade payables outstanding as of June 30, 2013, RMB57.1 million had been settled as of July 31, 2013.

The following table sets forth our trade payables turnover days at the end of each reporting period:

	<u>Year Ended December 31,</u>			<u>Six Months</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Ended</u>
				<u>June 30,</u>
				<u>2013</u>
Trade payables turnover days ⁽¹⁾	114	132	144	128

(1) Calculated using the average of opening balance and closing balance of trade payables for a year/period divided by cost of sales for the relevant year/period and multiplied by 365 days or 181 days, as applicable.

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Our subcontractors typically grant us a credit period of 180 days, while our suppliers typically grant us a credit period of 90 days. Our trade payables turnover days increased from 114 days in 2010 to 132 days in 2011, and further increased to 144 days in 2012, primarily as our suppliers extended a longer credit period for us in response to the general economic condition in China. In the six months ended June 30, 2013, our trade payables turnover days decreased to 128 days primarily as we typically settle a larger amount of trade payables in the first half of the year. Going forward, we expect our trade payables turnover days to remain relatively stable.

OFF-BALANCE SHEET ARRANGEMENTS

Save as the exposure in relation to the derecognition of endorsed undue bills receivable as disclosed in note 18 to the Accountants' Report set forth in Appendix I to this prospectus, we have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have significant contingent liabilities.

RELATED PARTY TRANSACTIONS

For a discussion of related party transactions, see note 27 to the Accountants' Report set forth in Appendix I to this prospectus.

NO OTHER OUTSTANDING INDEBTEDNESS

Save as disclosed in "Financial Information — Indebtedness" of this prospectus, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as of October 31, 2013, being our indebtedness statement date. Our Directors confirm that, as of the Latest Practicable Date, there was no material change in our indebtedness since October 31, 2013.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Credit Risk

Our credit risk is primarily attributable to trade and other receivables. Our management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which

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the customer operates. Trade receivables are due within 30 days from the date of billing, except for the retention receivables which are due within one to two years. Debtors with balances that are more than 30 days past due are requested to settle all outstanding balances before any further credit is granted. Normally, we do not obtain collateral from customers.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. The receivables from the five largest customers as of December 31, 2010, 2011 and 2012 and June 30, 2013 represented 31%, 36%, 25% and 17% of the total trade and other receivables respectively, while 27%, 21%, 10% and 14% of total trade and other receivables were due from the largest single customer respectively.

We do not provide any other guarantees which would expose us to credit risk.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations when they fall due.

Our approach to managing liquidity is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our reputation.

Our policy is to regularly monitor current and expected liquidity requirements, and to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

We had net current liabilities of RMB246.8 million as of June 30, 2013. With regard to our future capital commitments and other financing requirement, we had unutilized banking facilities of RMB1,498.6 million as of October 31, 2013. We do not expect any difficulty in renewing our banking facilities.

In addition, our Directors have carried out a review of the cashflow forecast for the 18 months period ending December 31, 2014. Based on such forecast, our Directors have determined that adequate liquidity exists to finance our working capital and capital commitment requirements during the period. In preparing the cashflow forecast, our Directors have considered our historical cash requirements as well as other key factors, including the availability of the above-mentioned borrowings financing which may impact our operations prior to the end of the 12-month period after the Latest Practicable Date. Our Directors are of the opinion that the assumptions which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realized.

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The following tables show the remaining contractual maturities at the end of each reporting period of our non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date we can be required to pay:

As of December 31, 2010					
Contractual undiscounted cash outflow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	Total	Carrying amount
(in RMB thousands)					
Loans and borrowings	102,945	—	—	102,945	100,000
Trade and other payables	1,006,531	—	—	1,006,531	1,006,531
	<u>1,109,476</u>	<u>—</u>	<u>—</u>	<u>1,109,476</u>	<u>1,106,531</u>
As of December 31, 2011					
Contractual undiscounted cash outflow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	Total	Carrying amount
(in RMB thousands)					
Loans and borrowings	208,626	—	—	208,626	200,000
Trade and other payables	978,504	—	—	978,504	978,504
	<u>1,187,130</u>	<u>—</u>	<u>—</u>	<u>1,187,130</u>	<u>1,178,504</u>
As of December 31, 2012					
Contractual undiscounted cash outflow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	Total	Carrying amount
(in RMB thousands)					
Loans and borrowings	406,244	31,743	—	437,987	420,000
Trade and other payables	897,849	—	—	897,849	897,849
	<u>1,304,093</u>	<u>31,743</u>	<u>—</u>	<u>1,335,836</u>	<u>1,317,849</u>
As of June 30, 2013					
Contractual undiscounted cash outflow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	Total	Carrying amount
(in RMB thousands)					
Loans and borrowings	817,582	255,230	198,635	1,271,447	1,190,000
Trade and other payables	859,148	—	—	859,148	859,148
	<u>1,676,730</u>	<u>255,230</u>	<u>198,635</u>	<u>2,130,595</u>	<u>2,049,148</u>

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Interest Rate Risk

Interest rate profile

Our interest rate risk arises primarily from loans and borrowings. Borrowings issued at variable rates and at fixed rates expose us to cash flow interest rate risk and fair value interest rate risk respectively. Our interest rate profile as monitored by management is set out below.

Cash at bank and interest-bearing borrowings are the major types of our financial instruments subject to interest rate risk.

Our cash at bank and interest-bearing borrowings, and their interest rates as of the respective dates are set out as follows:

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Interest rate %	(in RMB thousands)	Interest rate %	(in RMB thousands)	Interest rate %	(in RMB thousands)	Interest rate %	(in RMB thousands)
Fixed rate								
Bank loans and borrowings	—	—	—	—	4.80%-6.15%	(120,000)	4.80%-6.15%	(720,000)
Variable rate								
Cash at bank	0.36%-1.17%	579,410	0.5%-1.31%	316,935	0.35%-1.15%	276,381	0.35%-1.15%	246,703
Bank loans and borrowings	—	—	—	—	—	—	6.15%-6.4%	(390,000)
Loans from a related party	5.31%-5.81%	(100,000)	5.81%-6.56%	(200,000)	6%-6.56%	(300,000)	6%	(80,000)
		<u>479,410</u>		<u>116,935</u>		<u>(23,619)</u>		<u>(223,297)</u>

Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect the Group's profit or loss.

The following table indicates the instantaneous change in our profit after tax (and retained profits) and other components of combined equity that would arise assuming that the change in interest rates had occurred at the respective dates set forth in the table and had been applied to re-measure those financial instruments held by us which expose us to interest rate risk at the respective dates. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by us at the respective dates set forth in the table, the

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impact on our profit after tax (and retained profits) and other components of combined equity is estimated as an annualized impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis throughout the Track Record Period.

	<u>Increase/(decrease) in basis points</u>	<u>Increase/(decrease) in profit after tax and retained profits for the year/period</u> (in RMB thousands)
At December 31, 2010		
Basis points	25	920
Basis points	(25)	(920)
At December 31, 2011		
Basis points	25	235
Basis points	(25)	(235)
At December 31, 2012		
Basis points	25	(34)
Basis points	(25)	34
At June 30, 2013		
Basis points	25	(559)
Basis points	(25)	559

Foreign Currency Risk

We are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars, Euro and Japanese Yen. We manage this risk as follows:

Recognized assets and liabilities

In respect of trade receivables and payables denominated in foreign currencies, we ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Exposure to currency risk

The following table details our exposure at the end of each of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year/period end date.

	<u>As of December 31, 2010</u>			
	<u>USD</u>	<u>EUR</u>	<u>JPY</u>	<u>Total</u>
	(in thousands)			
Trade and other payables	(17,140)	—	(519)	(17,659)
Net exposure arising from recognized assets and liabilities	<u>(17,140)</u>	<u>—</u>	<u>(519)</u>	<u>(17,659)</u>

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	As of December 31, 2011			
	USD	EUR	JPY	Total
	(in thousands)			
Trade and other receivables	—	3,207	—	3,207
Trade and other payables	(94,337)	—	(8,282)	(102,619)
Cash and cash equivalents	—	—	714	714
Net exposure arising from recognized assets and liabilities	<u>(94,337)</u>	<u>3,207</u>	<u>(7,568)</u>	<u>(98,698)</u>
	As of December 31, 2012			
	USD	EUR	JPY	Total
	(in thousands)			
Trade and other receivables	65,041	—	2	65,043
Trade and other payables	(14,093)	—	(13,948)	(28,041)
Cash and cash equivalents	4,861	—	34	4,895
Net exposure arising from recognized assets and liabilities	<u>55,809</u>	<u>—</u>	<u>(13,912)</u>	<u>41,897</u>
	As of June 30, 2013			
	USD	EUR	JPY	Total
	(in thousands)			
Trade and other receivables	39,328	—	5,871	45,199
Trade and other payables	(31,556)	—	(12,044)	(43,600)
Cash and cash equivalents	17	—	2,286	2,303
Net exposure arising from recognized assets and liabilities	<u>7,789</u>	<u>—</u>	<u>(3,887)</u>	<u>3,902</u>

Sensitivity analysis

The following table indicates the instantaneous change in our profit after tax and retained profits that would arise if foreign exchange rates to which we have significant exposure as of December 31, 2010, 2011 and 2012 and June 30, 2013 has changed at those dates, assuming all other risk variables remained constant.

	As of December 31,				As of June 30,			
	2010		2011		2012		2013	
	Increase in foreign exchange rate	Decrease in profit after tax and retained profits (in RMB thousands)	Increase in foreign exchange rate	Increase/ (decrease) in profit after tax and retained profits (in RMB thousands)	Increase in foreign exchange rate	Increase/ (decrease) in profit after tax and retained profits (in RMB thousands)	Increase in foreign exchange rate	Increase/ (decrease) in profit after tax and retained profits (in RMB thousands)
USD . .	1%	(129)	1%	(708)	1%	419	1%	58
EUR . .	1%	—	1%	24	1%	—	1%	—
JPY . .	1%	(3)	1%	(63)	1%	(116)	1%	(31)
		<u>(132)</u>		<u>(747)</u>		<u>303</u>		<u>27</u>

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translating into RMB at the exchange rate ruling at the end of the reporting period for presentation purpose.

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The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by us which expose us to foreign currency risk at the end of the reporting periods, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into our presentation currency. The analysis is performed on the same basis in 2010, 2011 and 2012 and the six months ended June 30, 2013.

LISTING EXPENSES

As of June 30, 2013, we had incurred expenses in connection with the proposed Global Offering of RMB1.8 million, primarily fees incurred for services rendered by professional advisors, which were accounted for as our administrative expenses for the six months ended June 30, 2013. Upon the completion of the Global Offering, we expect to incur an additional estimated amount of RMB112.1 million of expenses. The listing expenses directly attributable to issuing new shares are recognized directly in equity while any expenses attributable to listing existing shares are expensed as incurred. Qualifying expenses that related to both existing shares and new shares are allocated based on the number of shares. We do not believe the additional expenses will have a material impact on our results of operations.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to shareholders' approval. The Board will review dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our result of operations;
- our cash flows;
- our financial condition;
- our Shareholders' interests;
- general business conditions and strategies;
- our capital requirements;
- the payment by our subsidiaries of cash dividends to us; and other factors the Board may deem relevant.

During the Track Record Period, we did not declare any dividends. You should note that our lack of historical dividend distributions are not indicative of our future dividend distribution policy. We currently intend to adopt, after our Listing, a general annual dividend policy of declaring and paying dividends on an annual basis of about 20% of our distributable net profit attributable to our Group for any particular financial year. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. We will also determine to pay dividends based upon our results of operations, cash flow, capital requirements, contractual restrictions, future prospects and other factors that our Board deems relevant.

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DISTRIBUTABLE RESERVES

As of June 30, 2013, our reserves available for distribution to our members were nil. The Companies Law provides that share premium account of a company incorporated in the Cayman Islands, such as our Company, may be applied in such manner as it may from time to time determine, subject to the provisions, if any, of its memorandum and articles of association, provided that no distribution or dividend may be paid to its members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, such company shall be able to pay its debts as they fall due in the ordinary course of business.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of us since June 30, 2013.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted combined net tangible assets of our Group, which is based on the combined net tangible assets of our Group attributable to the equity holders of the Company as of June 30, 2013 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, adjusted as described below. The unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group.

	Combined Net Assets Attributable to Equity Holders of Our Company as of June 30, 2013	Estimated Net Proceeds from the Global Offering ⁽¹⁾	Unaudited Pro Forma Net Tangible Assets Attributable to Equity Holders of Our Company	Unaudited Pro Forma Adjusted Net Tangible Assets per Share ⁽²⁾⁽³⁾	
	(in RMB thousands)			(RMB)	(HK\$)
Based on an Offer Price of HK\$11.36 per Share.	8,793,534	2,292,519	11,086,053	6.28	7.88
Based on an Offer Price of HK\$13.56 per Share.	8,793,534	2,743,933	11,537,467	6.54	8.21

(1) The combined net tangible assets attributable to equity holders of the Company as of June 30, 2013 is based on the combined net assets attributable to the equity holders of the Company of RMB8,794.9 million after deduction of the intangible assets of RMB1.4 million as of the date as shown in the Accountants' Report set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Prices of HK\$11.36 and HK\$13.56 per Share, respectively, being the lower end price and higher end price of the stated Offer Price range, after deduction of the underwriting fees and other related expenses payable by the Company of RMB105.6 million and RMB118.6 million respectively. No account has been taken of the Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option or any shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme.

(3) The unaudited pro forma adjusted combined net tangible assets per Share is based on a total of 1,765,000,000 shares including the expected shares to be in issue of 265,000,000 following the completion of the Global Offering. The unaudited pro forma adjusted combined net tangible assets per Share is converted into Hong Kong dollars at the People's Bank of China rate of RMB0.7966 to HK\$1.0000 prevailing on June 30, 2013.

FINANCIAL INFORMATION

- (4) The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into RMB at an exchange rate of RMB0.7966 to HK\$1.0000, the People's Bank of China rate prevailing on June 30, 2013. No representation is made that the HK\$ amounts have been, could have been or may be converted into RMB, or vice versa, at that rate.
- (5) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to June 30, 2013.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As of the Latest Practicable Date, our Directors confirmed that there are no circumstances that will give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO SIGNIFICANT INTERRUPTIONS

Our Directors confirmed that there have been no interpretations in our business that may have a material adverse effect on our financial position and results of operations in the 12 months period prior to the Latest Practicable Date.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business — Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$12.46 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$3,159.0 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

In the event the Over-allotment Option is exercised in full and assuming an Offer Price of HK\$12.46 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$481.4 million.

If the Offer Price is fixed at HK\$13.56 per Offer Share (being the high end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, we will receive additional net proceeds of approximately HK\$283.3 million.

If the Offer Price is fixed at HK\$11.36 per Offer Share (being the low end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds we receive will be reduced by approximately HK\$283.3 million.

We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 27.2%, or HK\$860.0 million, will be used for the establishment of production facilities of CCA boards in Wuhu, Anhui Province. The total planned investment amount for our CCA board production facilities in Wuhu, Anhui Province is approximately RMB670 million, of which (i) approximately 25% of the investment will be used for the procurement of land and establishment of plants; (ii) approximately 65% of the investment will be used for the procurement of equipment and machinery; and (iii) approximately 10% of the investment will be used for procuring raw materials, recruiting staff and establishing our sales and marketing network.
- approximately 9.8%, or HK\$310.0 million, will be used for the establishment of production facilities of wood wool cement boards in Wuhu, Anhui Province. The total planned investment amount for our wood wool cement board production facilities in Wuhu, Anhui Province is approximately RMB240 million, of which (i) approximately 17% of the investment will be used for the procurement of land and establishment of plants; (ii) approximately 74% of the investment will be used for the procurement of equipment and machinery; and (iii) approximately 9% of the investment will be used for procuring raw materials, recruiting staff and establishing our sales and marketing network.
- approximately 12.6%, or HK\$400.0 million, will be used for the establishment of production facilities of CCA boards in Bozhou, Anhui Province. The total planned investment amount for our CCA board production facilities in Bozhou, Anhui Province is approximately RMB310 million, of which (i) approximately 25% of the investment will be used for the procurement of land and establishment of plants; (ii) approximately 65% of the investment will be used for the procurement of equipment

FUTURE PLANS AND USE OF PROCEEDS

and machinery; and (iii) approximately 10% of the investment will be used for procuring raw materials, recruiting staff and establishing our sales and marketing network.

- approximately 9.8%, or HK\$310.0 million, will be used for the establishment of production facilities of wood wool cement boards in Bozhou, Anhui Province. The total planned investment amount for our wood wool cement board production facilities in Bozhou, Anhui Province is approximately RMB240 million, of which (i) approximately 15% of the investment will be used for the procurement of land and establishment of plants; (ii) approximately 76% of the investment will be used for the procurement of equipment and machinery; and (iii) approximately 9% of the investment will be used for procuring raw materials, recruiting staff and establishing our sales and marketing network. As of the Latest Practicable Date, our Group has not identified any specific target land parcels to be acquired and has not entered into any definitive agreements or contracts for any of the aforementioned proposed procurement of land and establishment of plants.
- approximately 5.1%, or HK\$160.0 million, will be used for the maintenance of the port facilities of Yangzhou Haichang Port and expansion of its throughput capacity.
- approximately 22.5%, or HK\$710.0 million, will be used to carry out cement kiln waste incineration projects and waste incineration projects utilizing our grate incinerators under BOT arrangement. Under a typical BOT arrangement, we can collect all the contract price plus interest within three years upon completion of the project. We expect to finish more than 10 waste incineration projects under BOT arrangements in the next three years. In particular, we are in the process of negotiating waste incineration projects for 12 cement plants in Southwestern and Western China but no definitive agreements has been entered into by our Group in relation to any of these projects as of the Latest Practicable Date.
- approximately 3.2%, or HK\$100.0 million, will be used for the repayment of existing shareholder loan of HK\$99.1 million (RMB78.6 million, based on the exchange rate at the time of the loan) owing to HLGH Investment.
- the remaining amount of approximately HK\$309.0 million, representing not more than 10.0% of the net proceeds, will be used to provide funding for our working capital and other general corporate purposes.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be approximately HK\$481.4 million (assuming an Offer Price of HK\$12.46 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus). If the Over-allotment Option is exercised in full, our Directors intend to apply the net proceeds from the issue of additional Shares on a pro rata basis in accordance with the allocation above.

In the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the proposed Offer Price range, we will repay our existing shareholder loan, and then apply the remaining net proceeds on a pro rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

UNDERWRITING

HONG KONG UNDERWRITERS

Joint Lead Managers

Deutsche Bank AG, Hong Kong Branch
Goldman Sachs (Asia) L.L.C.
The Hongkong and Shanghai Banking Corporation Limited
Morgan Stanley Asia Limited

Co-Lead Managers

Investec Capital Asia Limited
Mizuho Securities Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on December 6, 2013 among our Company, our Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the abovementioned Hong Kong Underwriters. Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares to be offered pursuant to the Global Offering as mentioned herein (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), 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 Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by notice (orally or in writing) from the Joint Global Coordinators, in its sole and absolute discretion, 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 has been a breach of any of the representations, warranties and undertakings given by our Company and our Controlling Shareholders or there has been a breach by our Company or our Controlling Shareholders of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, result in a misstatement as to a material fact in, or constitute an omission of any material fact from, any of this prospectus, the application forms and/or in any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

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- (c) any statement contained in any of this prospectus, the Application Forms, the formal notice and/or in any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair, honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
- (d) there shall have occurred any event, act or omission which gives or is likely to give rise to any liability of any of our Company or our Controlling Shareholders pursuant to the provisions regarding indemnities in the Hong Kong Underwriting Agreement; or
- (e) there shall have been any material adverse change or development involving a prospective material adverse change in the assets, liabilities, conditions, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, condition or position, financial or otherwise, or performance, of any member of our Group or the Anhui Conch Group; or
- (f) the Company withdraws this prospectus (and/or any other documents used in connection with the subscription or sale of any of the Offer Shares pursuant to the Global Offering) or the Global Offering;
- (g) any non-compliance of this prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws, rules, statutes, ordinances, regulations, guidelines (with obligatory effect), opinions (with obligatory effect), notices, circulars, orders, judgments, decrees or rulings ("Laws") of any public, regulatory, tax, administrative or governmental agency or authority (including, without limitation, the Stock Exchange, the SFC and the Securities Exchange Commission), other authority and any court at the national, provincial, municipal or local level ("Authority");
- (h) an order is made for the winding up or provisional winding up of any member of our Group or the Anhui Conch Group with substantive business operations or any composition or arrangement made by any such member of our Group or the Anhui Conch Group with its creditors or a scheme of arrangement entered into by any such member of our Group or the Anhui Conch Group or any resolution for the winding up of any such member of our Group or the Anhui Conch Group, the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any such member of our Group or the Anhui Conch Group or anything analogous thereto occurring in respect of any such member of our Group or the Anhui Conch Group;
- (i) any actions, suits, claims (whether or not any such claim involves or results in any actions or proceedings), demands, investigations, judgment, awards and proceedings, joint or several, from time to time instituted, made or brought or threatened or alleged to be instituted, made or brought against or otherwise involve (together the "Actions") of any third party being threatened or instigated against any member of our Group;
- (j) any 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;
- (k) any Authority or political body or organization in any relevant jurisdiction commencing any Action, or announcing an intention to take any Action, against any Director;

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- (l) any prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering;
- (m) the chairman or chief executive officer of the Company or any Director vacating his office;
- (n) any contravention by any member of our Group of the Listing Rules of application Laws;
- (o) the Company is required to produce or issue a supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer of the Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (p) there shall have developed, occurred, happened or come into effect any event or series of events, matters or circumstances concerning or relating to:
 - (i) any change or development involving a prospective change, or any event or series of events likely to result in any change in, local, national, regional or international financial, political, economic, military, industrial, fiscal, regulatory, currency or market conditions or equity securities or stock or other financial market conditions or any monetary or trading settlement system (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the Cayman Islands, the British Virgin Islands, the United States, the United Kingdom, Japan, the PRC, Singapore, the European Union or any other jurisdiction considered by the Joint Global Coordinators to be relevant to our Group or the Global Offering (each a “**Relevant Jurisdiction**”); or
 - (ii) any new Law or any change or development involving a prospective change in existing Laws 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 Relevant Jurisdiction; or
 - (iii) any event or series of events, in the nature of force majeure affecting any Relevant Jurisdiction including, without limiting the generality thereof, any act of God, war, outbreak or escalation of hostilities (whether or not war is declared) or act of terrorism, or declaration of a national or international emergency or war, riot, public disorder, civil commotion, earthquake, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, strike, lock-out (whether or not covered by insurance); or
 - (iv) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the NASDAQ Global Market, the London Stock Exchange or the Tokyo Stock Exchange or any suspension of trading of any of the securities of our Company on any exchange or over-the-counter market or any major disruption of any securities settlement or clearing services in any Relevant Jurisdiction or on commercial banking activities in any Relevant Jurisdiction, due to exceptional financial circumstances or otherwise; or
 - (v) a change or development involving a prospective change in taxation, exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment regulations (including without limitation a material devaluation of the Hong Kong dollar, the Euro, the Japanese yen, the Renminbi,

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the United States dollar or the British pound sterling against any foreign currencies and any disruptions in monetary, trading or securities settlement or clearance services, procedures or matters) in or affecting any of the Relevant Jurisdictions;

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (A) is or will be, or is likely to result in a material adverse change, or any development involving a prospective material adverse change, in or affecting 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 Company, the other members of our Group and the Anhui Conch Group, taken as a whole; or
- (B) has or will have or is likely to have a material adverse impact on the success of the Global Offering or the level of Offer Shares applied for or accepted or subscribed for or purchased or the distribution of the Offer Shares or dealings in the Shares in the secondary market; or
- (C) makes it impracticable, inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the International Offering and/or the cornerstone investment agreements on the terms and in the manner contemplated in this prospectus and the Application Forms; or
- (D) has or will or is likely to 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.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealings in our Shares on the Main Board of the Stock Exchange), except for the Offer Shares to be issued pursuant to the Global Offering or under any of the circumstances as permitted by Rule 10.08 of the Listing Rules.

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(B) Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, except pursuant to the Stock Borrowing Agreement, he/it will not and will procure that any other registered holder(s) (if any) of the Shares in which he/it has a beneficial interest will not:

- (a) at any time in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which any of them is shown in this prospectus to be the beneficial owner; and
- (b) at any time in the period of six months from the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of them would cease to be a controlling shareholder of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (i) when him/it pledges or charges any Shares or securities of our Company beneficially owned by him/it, whether directly or indirectly, in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares or securities of our Company so pledged or charged; and
- (ii) when him/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by 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 by our Controlling Shareholders.

Undertakings to the Hong Kong Underwriters

(A) Undertakings by our Company

We have, pursuant to the Hong Kong Underwriting Agreement, undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters and each of them that we will, and our Controlling Shareholders have undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters and each of them to procure that our Company will, except pursuant to the Global Offering, the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement

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up to and including the date falling six months from the Listing Date (the “First Six-Month Period”), not without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with 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 any pledge, charge, lien mortgage, security interest, claim, pre-emption rights, equity interest, third party, rights or rights similar to the foregoing (“Encumbrance”) over, or to contract 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 shares or other securities of such other member of our Group, as applicable, 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 subscribe for or purchase, any Shares of our Company or any shares of any such other member of our Group), or deposit any Shares or any other securities of our Company or any shares or other securities of such other member of our Group with a depository in connection with the issue of depository receipts provided that the foregoing provisions shall not prevent the creation of any pledge, charge or mortgage over any shares or other securities of any member of our Group for a bona fide commercial loan required for our Group’s ordinary course of business;
- (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 any Shares or other securities of our Company or any of shares or other securities of such other member of our Group, 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 subscribe for or purchase, any Shares of our Company or any shares of such other member of our Group);
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any such transaction specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or such other securities of such other member of our Group, as applicable, in cash or otherwise (whether or not the allotment or issue of Shares or such other securities of our Company or shares or such other securities of such other member of our Group, as applicable, will be completed within the First Six-Month Period).

In the event that, at any time during the period of six months immediately following the expiry of the First Six-Month Period (the “Second Six-Month Period”), our Company enters into any of the transactions specified in paragraph (a) above or offers to or agrees to or announces any intention to effect any such transaction, our Company has undertaken to take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of our Company.

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(B) Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters and each of them that, save as pursuant to the Stock Borrowing Agreement, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, that:

- (a) at any time during the First Six-Month Period he/it will not and procure that none of his/its associates or companies controlled by him/it or any nominee or trustee holding in trust for him/it or pursuant to any trust of which he/it is the settlor, will:
 - (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 (including by way of altering the composition or classes of beneficiaries of any trust), 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 which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company) held by him/it (including holding as a custodian) as of the date of the Hong Kong Underwriting Agreement;
 - (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 any such capital or securities or any interest therein;
 - (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above; or
 - (iv) offer to or agree to, or announce any intention to enter into, any transaction specified in sub-paragraph (i), (ii) or (iii) above,

in each case, whether any such transaction specified in sub-paragraph (i), (ii) or (iii) above is to be settled by delivery of such capital or securities of our Company, in cash or otherwise (whether or not such transaction will be completed within the First Six-Month Period); and

- (b) at any time during the Second Six-Month Period, he/it will not enter into any of the foregoing transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above or offer to or agree to or announce any intention to enter into any such transactions 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, him/it will cease to be a “controlling shareholder” (as such term is defined in the Listing Rules) of our Company; and
- (c) until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the foregoing transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above or offers to or agrees to or announces an intention to enter into any such transactions, he/it will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the securities of our Company.

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Each of the Controlling Shareholders has further undertaken to each of the Joint Global Coordinators and the Hong Kong Underwriters that, if at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is twelve months after the Listing Date, he/it will:

- (i) if and when he/it pledges or charges any securities or interests in the securities of our Company beneficially owned by it, immediately inform our Company and the Joint Global Coordinators of such pledge or charge together with the number of securities of our Company which are so pledged or charged; and
- (ii) if an when he/it receives indication, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be disposed of, immediately inform our Company and the Joint Global Coordinators in writing of such indications.

Indemnity

We and our Controlling Shareholders have jointly and severally undertaken to indemnify the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters and each of them for certain losses which they may suffer, including, among other matters, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in our Company

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interest in us or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we and our Controlling Shareholders will enter into the International Underwriting Agreement with, among others, the International Underwriters on or about December 12, 2013. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally agree to procure subscribers to subscribe for the International Offer Shares being offered pursuant to the International Offering, or failing which to subscribe for themselves, their respective applicable proportions of such International Offer Shares which are not taken up under the International Offering.

Over-allotment Option

We will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until January 11, 2014, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require us to

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allot and issue up to an aggregate of 39,750,000 additional Shares, together representing approximately 15% of the number of Shares initially being offered under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any.

Lock-up Agreements

Our existing Shareholders (other than the Controlling Shareholders) (the “Other Shareholders”) will enter into a lock-up agreement in favor of the International Underwriters, pursuant to which the Other Shareholders will undertake to the International Underwriters that at any time after the date of the agreement up to and including the date falling six months after the Listing Date (the “Lock-up Period”), he/it will not, and will procure that his/its affiliates or companies controlled by him/it or any nominee or trustee holding in trust for him/it will not, without the prior written consent of the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules:

- (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 (as defined below) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares (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);
- (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 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);
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (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 will be completed within the aforesaid period).

Commission and Expenses

According to the terms and conditions of the Underwriting Agreements, the Hong Kong Underwriters will receive an underwriting commission of 2.3% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters (but not the Hong Kong Underwriters). In addition, the Hong Kong Underwriters may also receive an incentive fee of up to 0.5% of the Offer Price for each Offer Share.

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Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$12.46 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the aggregate commissions and the maximum incentive fee (if any), together with the Stock Exchange listing fees, SFC transaction levy, the Stock Exchange trading fee and other expenses relating to the Global Offering to be borne by our Company are estimated to amount to approximately HK\$142.9 million in aggregate.

SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "Syndicate Members") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

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It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to adjustment and the Over-allotment Option):

- (a) the Hong Kong Public Offering of 26,500,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under “The Hong Kong Public Offering”; and
- (b) the International Offering of an aggregate of 238,500,000 Shares (subject to adjustment 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 the Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Shares under the International Offering, but may not do both.

The number of Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the subsection headed “The Hong Kong Public Offering — Reallocation” below.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 26,500,000 Shares at the Offer Price, representing approximately 10% of the Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Shares initially offered under the Hong Kong Public Offering will represent approximately 1.5% of our 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 Offering is open to members of 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 which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the subsection below headed “Conditions of the Global Offering”.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares 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 Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will initially be divided equally into two pools for allocation purposes as follows:

- Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. Any odd board lots will be allocated to Pool A; and
- Pool B: The Hong Kong Offer Shares in Pool B 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 (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee payable) and up to the value of Pool B.

For the purpose of this paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong 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 13,250,000 Offer Shares are liable to be rejected.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached.

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 26,500,000 Offer Shares, representing approximately 10% of the total number of the Offer Shares initially available under the Global Offering;
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 79,500,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares

STRUCTURE OF THE GLOBAL OFFERING

available under the Hong Kong Public Offering will be 106,000,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 132,500,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. Subject to the foregoing paragraph, the Joint Global Coordinators may in their discretion reallocate Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any under-subscribed Hong Kong Offer Shares in such amounts as they deem appropriate.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Shares Initially Offered

Subject to the reallocation as described above, the number of Shares to be initially offered under the International Offering will be 238,500,000 Shares, representing approximately 90% of the Offer Shares under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Shares initially offered under the International Offering will represent approximately 13.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. International Offer Shares will be selectively placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong, Europe and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. 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. The International Offering is subject to the Hong Kong Public Offering being unconditional.

STRUCTURE OF THE GLOBAL OFFERING

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the paragraph headed “Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, 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, and/or hold or sell, Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid shareholder base which would be to our benefit and to that of the 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 Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the Joint Global Coordinators, which is exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable by the Joint Global Coordinators at any time from the Listing Date to January 11, 2014, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to sell up to 39,750,000 Shares, representing approximately 15% of the initial Offer Shares, at the same price per Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 2.2% of our enlarged total issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a public announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or 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 for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, 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 after a limited period.

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Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, 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 the 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 subscribing for, or agreeing to purchase or subscribe for, 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 paragraph (ii), (iii), (iv) or (v).

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, and there is no certainty as to the extent to which and the time period for which it will maintain such a 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;
- 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 Saturday, January 11, 2014, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. 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, acquiring the Offer Shares.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Joint Global Coordinators, their respective affiliates or any person acting for it may cover such over-allocation by, among other methods, using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or through the stock borrowing arrangements mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 39,750,000 Shares, representing not more than 15% of the Offer Shares initially available under the Global Offering.

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STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 39,750,000 Shares from HLGH Fixed Investment pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Offering 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 Offering.

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 December 12, 2013 and in any event on or before December 16, 2013, by agreement between the Joint Global Coordinators, on behalf of the Underwriters, and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price will be not more than HK\$13.56 per Share and is expected to be not less than HK\$11.36 per Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as further explained below. 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.

Price Payable on Application

Applicants for Hong Kong Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$13.56 for each Hong Kong Offer Share (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%). If the Offer Price is less than HK\$13.56, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company and the Joint Global Coordinators (on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before December 16, 2013, the Global Offering will not proceed and will lapse.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Joint Global Coordinators, on behalf of the Underwriters, may where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, reduce the indicative offer price range and/or the number of Offer Shares below those 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 Offering. In

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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 last day for lodging applications under the Hong Kong Public Offering, cause to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.conchventure.com) notices of the reduction. Upon issue of such a notice, the revised indicative offer price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators, on behalf of the Underwriters, and our Company, will be fixed within such revised range. 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 materially as a result of such reduction.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative offer price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators, on behalf of the Underwriters, and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

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 Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering 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 Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the level of indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on December 18, 2013 in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.conchventure.com).

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators, on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

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These underwriting arrangements, and the Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on:

- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- the Offer Price having been duly agreed between us and the Joint Global Coordinators (on behalf of the Underwriters);
- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting 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 Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

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 December 16, 2013, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering 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 dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us 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 subsection headed “How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies” in this prospectus. 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).

Share certificates will only become valid at 8:00 a.m. on December 19, 2013, provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised.

STRUCTURE OF THE GLOBAL OFFERING

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) 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 advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on December 19, 2013, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on December 19, 2013.

The Shares will be traded in board lots of 500 Shares each.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

1. If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.
2. To apply for Hong Kong Offer Shares, you may:
 - use a **WHITE** or **YELLOW** Application Form;
 - apply online via the **White Form eIPO** service at www.eipo.com.hk; or
 - electronically cause HKSCC Nominees to apply on your behalf.
3. None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

4. You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:
 - are 18 years of age or older;
 - have a Hong Kong address;
 - are outside the United States; and
 - are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- an associate of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

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 Monday, December 9, 2013 until 12:00 noon on Thursday, December 12, 2013 from:

- (1) the following address of the Hong Kong Underwriters:

Deutsche Bank AG, Hong Kong Branch	Level 52, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
Goldman Sachs (Asia) L.L.C.	68th Floor, Cheung Kong Center 2 Queen's Road Central, Hong Kong
The Hongkong and Shanghai Banking Corporation Limited	1 Queen's Road Central, Hong Kong
Morgan Stanley Asia Limited	Level 46, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(2) or any of the following branches of Bank of China (Hong Kong) Limited:

	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Central District (Wing On House) Branch	71 Des Voeux Road Central
	Causeway Bay Branch	505 Hennessy Road, Causeway Bay, Hong Kong
	North Point (Kiu Fai Mansion) Branch	413–415 King's Road, North Point
Kowloon	Shanghai Street (Mong Kok) Branch	611–617 Shanghai Street, Mong Kok
	194 Cheung Sha Wan Road Branch	194–196 Cheung Sha Wan Road, Sham Shui Po, Kowloon
	Waterloo Road Branch	Shop A2, Man Kee Mansion, 86 Waterloo Road, Kowloon
	Hung Hom (Eldex Industrial Building) Branch	21 Ma Tau Wai Road, Hung Hom
	Ma Tau Kok Road Branch	39–45 Ma Tau Kok Road, To Kwa Wan
	Jordan Road Branch	1/F, Sino Cheer Plaza, 23–29 Jordan Road
	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin
	Tseung Kwan O Plaza Branch	Shop 112–125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O
	Kwai Chung Plaza Branch	A18–20, G/F Kwai Chung Plaza, 7–11 Kwai Foo Road, Kwai Chung
	Texaco Road Branch	Shop A112, East Asia Gardens, 36 Texaco Road, Tsuen Wan
New Territories	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II
	Maritime Square Branch	Shop 115, Maritime Square, Tsing Yi Island, New Territories
	City One Sha Tin Branch	Shop A, 16–20 Ngan Shing Commercial Centre, City One, Sha Tin
	Tai Po Plaza Branch	Unit 4, Level 1 Tai Po Plaza, 1 On Tai Road, Tai Po

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, December 9, 2013 until 12:00 noon on Thursday, December 12, 2013 from:

- the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Conch Venture Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- **Monday, December 9, 2013 — 9:00 a.m. to 5:00 p.m.**
- **Tuesday, December 10, 2013 — 9:00 a.m. to 5:00 p.m.**
- **Wednesday, December 11, 2013 — 9.00 a.m. to 5:00 p.m.**
- **Thursday, December 12, 2013 — 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, December 12, 2013, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read 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 except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have 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 Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, the Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the White Form eIPO Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. Monday, December 9, 2013 until 11:30 a.m. on Thursday, December 12, 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, December 12, 2013 or such later time under the “Effects of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

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 through the **White Form eIPO** service to make an application for Hong Kong 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 or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 for each “China Conch Venture Holdings 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).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as its agent;
 - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations except those in any supplement to this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, the Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before 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 Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Monday, December 9, 2013 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Tuesday, December 10, 2013 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Wednesday, December 11, 2013 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Thursday, December 12, 2013 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, December 9, 2013 until 12:00 noon on Thursday, December 12, 2013 (24 hours daily, except on the last application day).

HOW TO APPLY FOR HONG KONG OFFER SHARES

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, December 12, 2013, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, December 12, 2013.

HOW TO APPLY FOR HONG KONG OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, 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 joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). 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 Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the 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).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing and Allocation”.

10. 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 Thursday, December 12, 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, December 12, 2013 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, December 18, 2013 in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and on the Company’s website at www.conchventure.com and the website of the 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 Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at www.conchventure.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Wednesday, December 18, 2013;
- from the designated results of allocations website at www.iporeresults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, December 18, 2013 to 12:00 midnight on Tuesday, December 24, 2013;
- by telephone enquiry line by calling 2862-8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, December 18, 2013 to Saturday, December 21, 2013;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, December 18, 2013 to Friday, December 20, 2013 at all the receiving bank branches and sub-branches.

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If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before 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). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf 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.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the 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 notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) 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 Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION 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 maximum offer price of HK\$13.56 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, December 18, 2013.

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14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following 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 Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, December 18, 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, December 19, 2013 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, December 18, 2013 or such other date as notified by us in the newspapers.

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If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, December 18, 2013, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, December 18, 2013, by ordinary post and at your own risk.

If you apply by 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 or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, December 18, 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, December 18, 2013 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East,

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Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, December 18, 2013, or such other date as notified by the Company in the newspapers as the date of dispatch/ collection of Share certificates/e-Refund payment instructions/refund cheques.

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 by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, December 18, 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If 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 the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, December 18, 2013, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, December 18, 2013. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, December 18, 2013 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you 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) on Wednesday, December 18, 2013. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, December 18, 2013.

15. ADMISSION OF THE SHARES INTO CCASS

If the 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 or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) 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 advisor 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, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

December 9, 2013

The Directors
China Conch Venture Holdings Limited

Deutsche Securities Asia Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to China Conch Venture Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the combined statements of financial position of the Group as at December 31, 2010, 2011 and 2012 and June 30, 2013 and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group, for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated December 9, 2013 (the "Prospectus").

The Company was incorporated in the Cayman Islands on June 24, 2013 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on August 23, 2013 (the "Reorganisation") as detailed in the section headed "History, Development and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Note 1(b) of Section B below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company, China Conch Venture Holdings International Limited, China Conch Venture Holdings (HK) Limited, Anhui Conch Venture New Energy-saving Building Material Co., Ltd., and Wuhu Conch Venture Enterprise Limited, as they either have not carried on any business since their respective dates of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies now comprising the Group have adopted December 31 as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in Note 1(b) of Section B. The statutory financial statements of these companies were prepared in accordance with the relevant accounting rules and regulations applicable to these companies in the People's Republic of China (the "PRC") in which they were incorporated and/or established.

The directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") on the same basis as used in the preparation of the Financial Information set out in Section B. The Underlying Financial Statements for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 were audited by KPMG Huazhen (Special General Partnership) in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to June 30, 2013.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation set out in Note 1(b) of Section B below, a true and fair view of the state of affairs of the Group as at December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 and the Group's combined results and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended June 30, 2012, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IASB.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review 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 International 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 Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A. COMBINED FINANCIAL INFORMATION OF THE GROUP

1 Combined income statements

	Section B Note	Year ended December 31,			Six months ended June 30,	
		2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (Unaudited)	2013 RMB'000
Turnover	3	1,812,167	1,581,995	1,250,435	644,554	656,708
Cost of sales		<u>(1,160,843)</u>	<u>(1,060,574)</u>	<u>(847,995)</u>	<u>(434,774)</u>	<u>(422,040)</u>
Gross profit		651,324	521,421	402,440	209,780	234,668
Other revenue	4	9,592	8,051	11,523	5,198	7,300
Other net (loss)/income	5	(59)	368	(292)	(94)	324
Distribution costs		(25,877)	(22,023)	(18,585)	(9,173)	(10,265)
Administrative expenses		<u>(77,523)</u>	<u>(107,574)</u>	<u>(74,693)</u>	<u>(37,090)</u>	<u>(52,095)</u>
Profit from operations		557,457	400,243	320,393	168,621	179,932
Finance costs	6(a)	(1,113)	(365)	(13,900)	(4,057)	(9,628)
Share of profit of an associate	15	<u>1,112,615</u>	<u>2,062,894</u>	<u>1,176,249</u>	<u>547,172</u>	<u>547,411</u>
Profit before taxation	6	1,668,959	2,462,772	1,482,742	711,736	717,715
Income tax	7(a)	<u>(111,619)</u>	<u>(77,166)</u>	<u>(66,302)</u>	<u>(36,760)</u>	<u>(36,435)</u>
Profit for the year/period		<u>1,557,340</u>	<u>2,385,606</u>	<u>1,416,440</u>	<u>674,976</u>	<u>681,280</u>
Attributable to:						
Equity shareholders of the						
Company		1,331,232	2,228,156	1,299,091	612,810	619,688
Non-controlling interests		<u>226,108</u>	<u>157,450</u>	<u>117,349</u>	<u>62,166</u>	<u>61,592</u>
Profit for the year/period		<u>1,557,340</u>	<u>2,385,606</u>	<u>1,416,440</u>	<u>674,976</u>	<u>681,280</u>
Earnings per share	11					
Basic and diluted (RMB)		<u>0.89</u>	<u>1.49</u>	<u>0.87</u>	<u>0.41</u>	<u>0.41</u>

The accompanying notes form part of this Financial Information.

2 Combined statements of comprehensive income

	Section B Note	Year ended December 31,			Six months ended June 30,	
		2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (Unaudited)	2013 RMB'000
Profit for the year/period		1,557,340	2,385,606	1,416,440	674,976	681,280
Other comprehensive income for the year/period						
Change in fair value of available-for-sale securities, net of tax		—	—	—	—	60
Share of changes of reserves of an associate, net of tax	8	87,964	(128,405)	(72,174)	(62,025)	(147,275)
Total comprehensive income for the year/period:		<u>1,645,304</u>	<u>2,257,201</u>	<u>1,344,266</u>	<u>612,951</u>	<u>534,065</u>
Attributable to:						
Equity shareholders of the Company		1,419,196	2,099,751	1,226,917	550,785	472,473
Non-controlling interests		<u>226,108</u>	<u>157,450</u>	<u>117,349</u>	<u>62,166</u>	<u>61,592</u>
Total comprehensive income for the year		<u>1,645,304</u>	<u>2,257,201</u>	<u>1,344,266</u>	<u>612,951</u>	<u>534,065</u>

The accompanying notes form part of this Financial Information.

3 Combined statements of financial position

	Section B Note	As at December 31,			As at June 30,
		2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
Non-current assets					
Property, plant and equipment	12	446,447	631,546	775,569	819,068
Lease prepayments	13	115,272	112,929	110,518	109,293
Intangible assets	14	1,902	1,885	1,601	1,395
Interest in an associate	15	5,845,515	7,459,987	8,367,150	8,761,785
Non-current portion of trade and other receivables	18	—	165,302	153,193	122,824
Deferred tax assets	22(b)	23,512	41,444	39,012	42,346
		<u>6,432,648</u>	<u>8,413,093</u>	<u>9,447,043</u>	<u>9,856,711</u>
Current assets					
Available-for-sale securities	16	—	—	—	81,080
Inventories	17	195,673	225,106	263,630	187,693
Trade and other receivables	18	872,394	801,532	779,557	836,911
Restricted bank deposits		—	—	—	4,000
Bank deposits with maturity over three months		—	38,070	38,070	38,070
Cash and cash equivalents	19(a)	579,415	316,960	276,388	246,713
		<u>1,647,482</u>	<u>1,381,668</u>	<u>1,357,645</u>	<u>1,394,467</u>
Current liabilities					
Loans and borrowings	20	100,000	200,000	390,000	771,000
Trade and other payables	21	1,006,531	978,504	897,849	859,148
Income tax payables	22(a)	61,029	39,463	8,083	11,162
		<u>1,167,560</u>	<u>1,217,967</u>	<u>1,295,932</u>	<u>1,641,310</u>
Net current assets/(liabilities)		<u>479,922</u>	<u>163,701</u>	<u>61,713</u>	<u>(246,843)</u>
Total assets less current liabilities		<u>6,912,570</u>	<u>8,576,794</u>	<u>9,508,756</u>	<u>9,609,868</u>
Non-current liabilities					
Loans and borrowings	20	—	—	30,000	419,000
Net assets		<u>6,912,570</u>	<u>8,576,794</u>	<u>9,478,756</u>	<u>9,190,868</u>
Equity					
Share capital	23	245,375	245,375	245,375	367,375
Reserves	24	6,250,380	7,905,932	8,815,618	8,427,554
Equity attributable to equity shareholders of the Company		6,495,755	8,151,307	9,060,993	8,794,929
Non-controlling interests		416,815	425,487	417,763	395,939
Total equity		<u>6,912,570</u>	<u>8,576,794</u>	<u>9,478,756</u>	<u>9,190,868</u>

The accompanying notes form part of the Financial Information.

4 Combined statements of changes in equity

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserves	PRC statutory reserves	Fair value reserve	Retained earnings	Sub-total			
	RMB'000 (Note 23)	RMB'000 (Note 24(a))	RMB'000 (Note 24(b))	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at January 1, 2010	218,260	2,883,440	66,725	—	2,030,877	5,199,302	367,242	5,566,544	
Profit for the year	—	—	—	—	1,331,232	1,331,232	226,108	1,557,340	
Other comprehensive income (Note 8)	—	87,964	—	—	—	87,964	—	87,964	
Total comprehensive income	—	87,964	—	—	1,331,232	1,419,196	226,108	1,645,304	
Acquisition of non-controlling interests	27,115	—	—	—	(219)	26,896	(26,896)	—	
Appropriation to reserves (Note 24(b))	—	—	59,815	—	(59,815)	—	—	—	
Profit distribution to then equity holders and non-controlling interests	—	—	—	—	(149,639)	(149,639)	(149,639)	(299,278)	
Balance at December 31, 2010 and January 1, 2011	245,375	2,971,404	126,540	—	3,152,436	6,495,755	416,815	6,912,570	
Profit for the year	—	—	—	—	2,228,156	2,228,156	157,450	2,385,606	
Other comprehensive income (Note 8)	—	(128,405)	—	—	—	(128,405)	—	(128,405)	
Total comprehensive income	—	(128,405)	—	—	2,228,156	2,099,751	157,450	2,257,201	
Appropriation to reserves (Note 24(b))	—	—	63,762	—	(63,762)	—	—	—	
Distribution to then equity holder (Note 24(c))	—	—	—	—	(295,421)	(295,421)	—	(295,421)	
Profit distribution to then equity holders and non-controlling interests	—	—	—	—	(148,778)	(148,778)	(148,778)	(297,556)	
Balance at December 31, 2011 and January 1, 2012	245,375	2,842,999	190,302	—	4,872,631	8,151,307	425,487	8,576,794	
Profit for the year	—	—	—	—	1,299,091	1,299,091	117,349	1,416,440	
Other comprehensive income (Note 8)	—	(72,174)	—	—	—	(72,174)	—	(72,174)	
Total comprehensive income	—	(72,174)	—	—	1,299,091	1,226,917	117,349	1,344,266	
Appropriation to reserves (Note 24(b))	—	—	54,547	—	(54,547)	—	—	—	
Distribution to then equity holder (Note 24(c))	—	—	—	—	(192,158)	(192,158)	—	(192,158)	
Profit distribution to then equity holders and non-controlling interests	—	—	—	—	(125,073)	(125,073)	(125,073)	(250,146)	
Balance at December 31, 2012 and January 1, 2013	245,375	2,770,825	244,849	—	5,799,944	9,060,993	417,763	9,478,756	
Profit for the period	—	—	—	—	619,688	619,688	61,592	681,280	
Other comprehensive income (Note 8)	—	(147,275)	—	60	—	(147,215)	—	(147,215)	
Total comprehensive income	—	(147,275)	—	60	619,688	472,473	61,592	534,065	
Capital Injection	100,000	—	—	—	—	100,000	—	100,000	
Acquisition of non-controlling interests	1,600	—	4,878	—	739	7,217	(7,217)	—	
Capitalisation of a subsidiary (Note 23(a))	20,400	—	(20,400)	—	—	—	—	—	
Appropriation to reserves (Note 24(b))	—	—	33,989	—	(33,989)	—	—	—	
Deemed distribution to then equity holder arising from Reorganisation (Note 24(d))	—	(766,445)	—	—	—	(766,445)	—	(766,445)	
Profit distribution to then equity holders and non-controlling interests	—	—	—	—	(79,309)	(79,309)	(76,199)	(155,508)	
Balance at June 30, 2013	<u>367,375</u>	<u>1,857,105</u>	<u>263,316</u>	<u>60</u>	<u>6,307,073</u>	<u>8,794,929</u>	<u>395,939</u>	<u>9,190,868</u>	

The accompanying notes form part of the Financial Information.

(Unaudited)

	Attributable to equity shareholders of the Company					Sub-total	Non-controlling interests	Total equity
	Share capital	Capital reserves	PRC statutory reserves	Fair value reserve	Retained earnings			
	RMB'000 (Note 23)	RMB'000 (Note 24(a))	RMB'000 (Note 24(b))	RMB'000	RMB'000			
Balance at December 31, 2011 and January 1, 2012	245,375	2,842,999	190,302	—	4,872,631	8,151,307	425,487	8,576,794
Profit for the period	—	—	—	—	612,810	612,810	62,166	674,976
Other comprehensive income (Note 8)	—	(62,025)	—	—	—	(62,025)	—	(62,025)
Total comprehensive income	—	(62,025)	—	—	612,810	550,785	62,166	612,951
Appropriation to reserves (Note 24(b))	—	—	53,603	—	(53,603)	—	—	—
Distribution to then equity holder (Note 24(c))	—	—	—	—	(192,158)	(192,158)	—	(192,158)
Profit distribution to then equity holders and non-controlling interests	—	—	—	—	(125,073)	(125,073)	(125,073)	(250,146)
Balance at June 30, 2012	<u>245,375</u>	<u>2,780,974</u>	<u>243,905</u>	<u>—</u>	<u>5,114,607</u>	<u>8,384,861</u>	<u>362,580</u>	<u>8,747,441</u>

The accompanying notes form part of the Financial Information.

5 Combined cash flow statements

	Section B Note	Year ended December 31,			Six months ended June 30,	
		2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (Unaudited)	2013 RMB'000
Operating activities:						
Cash generated from operations . . .	19(b)	356,934	278,586	249,104	132,116	187,028
Income tax paid	22(a)	(132,756)	(116,664)	(95,250)	(80,134)	(36,710)
Net cash generated from operating activities		<u>224,178</u>	<u>161,922</u>	<u>153,854</u>	<u>51,982</u>	<u>150,318</u>
Investing activities:						
Payment for purchase of property, plant and equipment, construction in progress and intangible assets		(197,131)	(197,109)	(172,588)	(68,555)	(65,033)
Proceeds from disposal of property, plant and equipment		326	908	50	—	5
Payment for lease prepayments . . .		(20,160)	—	—	—	—
Payment for purchase of available- for-sale securities		—	—	—	—	(81,000)
Payment for bank deposits with maturity over three months		—	(38,070)	—	—	—
Interest received		8,653	7,450	8,988	3,350	5,899
Net cash used in investing activities		<u>(208,312)</u>	<u>(226,821)</u>	<u>(163,550)</u>	<u>(65,205)</u>	<u>(140,129)</u>
Financing activities:						
Proceeds from loans and borrowings		100,000	200,000	420,000	30,000	240,000
Repayment of loans		—	(100,000)	(200,000)	—	(220,000)
Capital injection from equity shareholder of the Company . . .		—	—	—	—	100,000
Profit distribution and paid to then equity holders and non-controlling interests		(299,278)	(297,556)	(250,146)	(107,108)	(110,275)
Distribution paid to then equity holders	24(d)	—	—	—	—	(16,445)
Interest paid		—	—	(730)	(67)	(33,144)
Net cash used in financing activities		<u>(199,278)</u>	<u>(197,556)</u>	<u>(30,876)</u>	<u>(77,175)</u>	<u>(39,864)</u>
Net decrease in cash and cash equivalents		<u>(183,412)</u>	<u>(262,455)</u>	<u>(40,572)</u>	<u>(90,398)</u>	<u>(29,675)</u>
Cash and cash equivalents at beginning of the year/period . .		<u>762,827</u>	<u>579,415</u>	<u>316,960</u>	<u>316,960</u>	<u>276,388</u>
Cash and cash equivalents at end of the year/period	19(a)	<u>579,415</u>	<u>316,960</u>	<u>276,388</u>	<u>226,562</u>	<u>246,713</u>

The accompanying notes form part of the Financial Information.

B. NOTES TO COMBINED FINANCIAL INFORMATION**1 Significant accounting policies****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collective term includes International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board (“IASB”). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended June 30, 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning January 1, 2013 are set out in Note 28.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended June 30, 2012 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation and presentation

The Financial Information comprises the Company and its subsidiaries and the Group's interest in an associate. The Financial Information has been prepared using the principles of merger accounting as if the Group had always been in existence as further explained below.

The Company was incorporated in the Cayman Islands on June 24, 2013 and became the holding company of the Group pursuant to the Reorganisation completed on August 23, 2013. The Group's businesses are primarily conducted through three consolidated subsidiaries, namely Anhui Conch Kawasaki Engineering Co., Ltd. (“CK Engineering”), Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. (“CK Equipment”), and Yangzhou Haichang Port Industrial Co., Ltd. (“HC Port”), all of which are domestic companies established in the PRC (collectively, the “PRC Subsidiaries”).

During the Relevant Periods, the Group's equity interests in the PRC Subsidiaries were owned by Anhui Conch Venture Investment Co., Ltd. (“CV Investment”). CV Investment also held a 49% equity interest in Conch Holdings, an associate accounted for under the equity method, during the entire Relevant Periods. Immediately before the implementation of the Reorganisation, the registered shareholders of CV Investment were four staff associations (namely, Anhui Conch Holdings Co., Ltd. (“Conch Holdings”), Ningguo Cement Plant, Baimashan Cement Plant, and Wuhu Conch Profiles and Science Co., Ltd., collectively, the “Staff Associations”) and 7 individual owners. Each of the four Staff Associations acts as the trustee on behalf of and for the benefits of their respective staff member beneficiaries.

As part of the Reorganisation, CV Investment established Wuhu Conch Venture Enterprise Limited ("Conch Venture Wuhu"), an investment holding company with registered capital of RMB100,000,000 in the PRC on May 31, 2013. On June 13, 2013, CV Investment transferred its 49% equity interest in Conch Holdings to Conch Venture Wuhu at a total consideration of RMB766,445,373, which was settled by payment of RMB16,445,373 in cash and the transfer of bank loan repayment obligation of RMB750,000,000 from CV Investment to Conch Venture Wuhu. On June 24, 2013, Anhui Conch Venture New Energy-saving Building Material Co., Ltd. ("Conch Venture Green") was established as an indirect wholly-owned subsidiary of the Company in the PRC with a registered capital of RMB100,000,000. On July 11, 2013, CV Investment transferred its entire equity interest in Conch Venture Wuhu to Conch Venture Green at a consideration of RMB100,000,000 which was settled by cash on August 12, 2013. In July 2013, CV Investment transferred its entire equity interests in the PRC Subsidiaries to Conch Venture Wuhu at a total consideration of RMB274,075,668. Such consideration was settled by payment of RMB74,075,668 in cash and the transfer of bank loan repayment obligation of RMB200,000,000 from CV Investment to Conch Venture Wuhu.

Following the completion of the Reorganisation, the staff member beneficiaries of the Staff Associations and the 7 individual owners became the ultimate beneficial owners of the Company in substantially the same proportion of their direct and/or beneficial interests in CV Investment immediately before the Reorganisation.

As the Group's businesses, including the PRC Subsidiaries and its 49% equity interest in Conch Holdings, were directly and/or beneficially owned by the same beneficial owners in substantially the same proportionate ownership interests both before and after the Reorganisation, there was a continuation of risks and benefits to the ultimate beneficial owners. Accordingly, the Reorganisation has been accounted for as a combination of entities and businesses using the merger basis of accounting. The Financial Information has been prepared as if the Group had always been in existence and the net assets of the PRC Subsidiaries and the 49% equity interest in Conch Holdings are combined using the historical book values from the perspectives of CV Investment.

The combined income statements, combined statements of comprehensive income, combined statements of changes in equity and the combined cash flow statements of the Group for the Relevant Periods as set out in Section A include the results of operations of the PRC Subsidiaries and the Group's share of the results of Conch Holdings as if the current group structure had been in existence throughout the Relevant Periods. The combined statements of financial position of the Group as at December 31, 2010, 2011 and 2012 and June 30, 2013 as set out in Section A have been prepared to present the state of affairs of the Group as at those dates as if the current group structure had been in existence at the respective dates. The total considerations of RMB1,140,521,041 for the transfers of PRC Subsidiaries, the 49% equity interest in Conch Holdings and Conch Venture Wuhu from CV Investment to the Group in connection with the Reorganisation, of which RMB766,445,373 was settled during the Relevant Periods and RMB374,075,668 was settled in July 2013 as described above, are recorded within equity as deemed distributions to the then equity holder (i.e. CV Investment) arising from the Reorganization.

Intra-group balances and transactions and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

The particulars of the Company's subsidiaries as at the date of this report are set out below:

Name of company ⁽ⁱ⁾	Place and date of incorporation/ establishment	Registered capital/issued	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
China Conch Venture Holdings International Limited ("Conch Venture BVI") (中國海創控股國際有限公司) . . .	British Virgin Islands ("BVI") May 31, 2013	USD10,000	100%	—	Investment holding
China Conch Venture Holdings (HK) Limited ("Conch Venture HK") (中國海創控股(香港)有限公司) . .	Hong Kong June 13, 2013	HKD10,000	—	100%	Investment holding
Conch Venture Green (安徽海創新型節能建築材料有限責任公司)	The PRC June 24, 2013	HKD100,000,000/ HKD100,000,000	—	100%	Manufacturing and investment holding
Conch Venture Wuhu (蕪湖海創實業有限責任公司) . . .	The PRC May 31, 2013	RMB100,000,000/ RMB100,000,000	—	100%	Investment holding
CK Engineering (安徽海螺川崎工程有限公司) . . .	The PRC December 13, 2006	RMB100,000,000/ RMB100,000,000	—	51% ⁽ⁱⁱ⁾	Design, sales, installation of energy preservation and environmental protection equipment and after sales service
CK Equipment (安徽海螺川崎節能設備製造有限公司)	The PRC December 13, 2006	RMB100,000,000/ RMB100,000,000	—	51% ⁽ⁱⁱ⁾	Design, sales, installation of energy preservation and environmental protection equipment and after sales service
HC Port (揚州海昌港務實業有限責任公司)	The PRC October 30, 2006	RMB220,500,000/ RMB220,500,000	—	75%	Cargo handling

(i) Except for the Company, Conch Venture BVI and Conch Venture HK, the English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

(ii) For the period from January 1, 2010 to December 31, 2012, the Group held a 50% equity interests in each of CK Engineering and CK Equipment. On June 19, 2013, the Group acquired an additional 1% equity interest in CK Engineering and CK Equipment from Kawasaki Heavy Industries Ltd., the minority shareholder, with the retrospective effect from January 1, 2013. After the completion of this acquisition, the Group held 51% equity interest in CK Engineering and CK Equipment.

The following list contains details of the companies included in the Financial Information that are subject to audit during the Relevant Periods and the names of the respective auditors.

<u>Name of company</u>	<u>Financial period</u>	<u>Statutory auditors</u>
CK Engineering . .	Years ended December 31, 2010, 2011 and 2012	KPMG Huazhen (Special General Partnership) Shanghai Branch Registered in the PRC 畢馬威華振會計師事務所(特殊普通合夥) 上海分所
CK Equipment . . .	Years ended December 31, 2010, 2011 and 2012	KPMG Huazhen (Special General Partnership) Shanghai Branch Registered in the PRC 畢馬威華振會計師事務所(特殊普通合夥) 上海分所
HC Port.	Years ended December 31, 2010, 2011 and 2012	Jiangsu Fuhua Certified Public Accountants Registered in the PRC 江蘇富華會計師事務所有限公司

(c) Basis of measurement

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "Functional Currency"). The Financial Information is presented in RMB, rounded to the nearest thousand, which is the presentation currency. The measurement basis used in the preparation of the Financial Information is the historical cost basis except for financial instruments classified as available-for-sale which are stated at fair value (Note 1(h)).

(d) Going concern

The Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at June 30, 2013. The directors are of the opinion that, based on a detailed review of the working capital forecast of the Group for the 18 months period ending December 31, 2014, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirement.

(e) Use of estimates and judgments

The preparation of Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 2.

(f) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. An investment in a subsidiary is included in the Financial Information from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the combined statement of financial position within equity, separately from equity attributable to the shareholder of the Company. Non-controlling interests in the results of the group are presented on the face of the combined statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholder of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the combined statement of financial position in accordance with Notes 1(p) or 1(q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within combined equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in a joint venture or an associate (see Note 1(g)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(g) Associate

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Financial Information under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the

post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1(l)(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the combined income statements, whereas the Group's share of the post-acquisition post tax items of the investees' other comprehensive income is recognised in the combined statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealized profits and losses resulting from transactions between the Group and its associate (and the subsidiaries and associates of the associate) are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

(h) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in Note 1(v)(iv).

Dated debt securities that the Group have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see Note 1(l)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 1(l)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. When these investments are derecognised or impaired (see Note 1(l)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the group commits to purchase/sell the investments or they expire.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(l)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, and an appropriate proportion of production overheads and borrowing costs (see Note 1(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Plant and buildings	20–30 years
— Machinery and equipment	10–15 years
— Office and other equipment	5 years
— Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less accumulated impairment losses (see Note 1(l)(ii)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(j) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 1(l)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Software 2–10 years

Both the period and method of amortisation are reviewed annually.

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Lease prepayments

Lease prepayments represent cost of land use right paid to the PRC governmental authorities or third parties.

Lease prepayments are stated at cost less accumulated amortisation and impairment losses (see Note 1(l)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(l) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the group about one or more of the following loss events.

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;

- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in subsidiaries and associates (including those recognised using the equity method (see Note 1(g))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(l)(i). The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount in accordance with Note 1(l)(i).
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;

- lease prepayments; and
- intangible assets

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated on weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Construction contracts in progress

Construction contracts in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date (Note 1(v)(ii)). It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific constructions and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction contracts in progress is presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred revenue in the statement of financial position.

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 1(l)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(s) Employee benefits**(i) Short term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses and paid annual leave are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Defined contribution retirement plans*

Contributions to PRC local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(t) **Income tax**

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purpose, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Contract revenue

When the outcome of a contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs, surveys of work performed or completion of a physical proportion of the contract work for the contract; and

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iii) Revenue from services

Revenue arising from services is recognised when the relevant service is rendered without further performance obligations.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them. Grants that compensate the group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(w) Translation of foreign currencies

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a); or
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of the family of a person are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of

customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Accounting judgment and estimates

(a) Critical accounting judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgments:

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Construction contract in progress

As explained in policy Notes 1(n) and 1(v)(ii), revenue recognition on an uncompleted construction is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at each of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(ii) Depreciation and amortisation

As described in Note 1(i), property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. As described in Note 1(j), intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(iii) Net realisable value of inventories

As described in Note 1(m), net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of changes in market conditions.

Management reassesses these estimations at the end of reporting period to ensure inventory is stated at the lower of cost and net realisable value.

(iv) Impairment of trade and other receivables

Management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-off would be higher than estimated. Management reassesses the impairment of trade and other receivables at the end of reporting period.

3 Turnover and segment reporting**(a) Turnover**

The amount of each significant category of revenue recognised in turnover during the relevant periods is as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Energy preservation and environmental protection solutions					
Residual heat power generation.	1,402,607	1,197,435	923,531	501,808	499,170
Vertical mill	366,637	278,889	157,901	90,153	93,824
Waste incineration.	42,923	86,191	93,202	22,644	—
Subtotal	1,812,167	1,562,515	1,174,634	614,605	592,994
Port logistics services	—	19,480	75,801	29,949	63,714
Total	1,812,167	1,581,995	1,250,435	644,554	656,708

The Group's customer base is diversified and includes one, one, three, two and one customers with whom transactions have exceeded 10% of the Group's revenues in 2010, 2011 and 2012, and for the six months ended June 30, 2012 and 2013 respectively. Revenues to these customers amounted to RMB750,393,000, RMB560,910,000, RMB733,319,000, RMB350,639,000 and RMB366,236,000 in 2010, 2011 and 2012, and for the six months ended June 30, 2012 and 2013 respectively.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following reportable segments.

- Energy preservation and environmental protection solutions included manufacturing and sales of residual heat power generation, vertical mill and waste incineration, and maintenance and related after sales services.
- Port logistics services: this segment mainly engages in cargo handling, trans-shipment and warehousing services.
- Investments in construction material companies and other investments: this segment comprises investment in Conch Holdings. Details of the principal activities of Conch Holdings are set out in Note 15.

(i) For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all current assets and non-current assets. Segment liabilities include trade and other payables, income tax payables and loans and borrowings managed directly for the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is the profit before taxation. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended December 31, 2010, 2011 and 2012 and six months ended June 30, 2013 is set out below:

	Year ended December 31, 2010			
	Energy preservation and environmental protection solutions	Port logistics services	Investments in construction material companies and other investments	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Reportable segment revenue	1,812,167	—	—	1,812,167
Reportable segment profit/(loss) before tax . .	559,925	(3,581)	1,112,615	1,668,959
Interest income	8,653	—	—	8,653
Interest expense	—	1,113	—	1,113
Depreciation and amortisation	12,093	1,117	—	13,210
Reportable segment assets	1,880,070	354,545	5,845,515	8,080,130
Reportable segment liabilities	1,028,158	139,402	—	1,167,560
	Year ended December 31, 2011			
	Energy preservation and environmental protection solutions	Port logistics services	Investments in construction material companies and other investments	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Reportable segment revenue	1,562,515	19,480	—	1,581,995
Reportable segment profit/(loss) before tax . .	399,948	(70)	2,062,894	2,462,772
Interest income	7,160	290	—	7,450
Interest expense	—	365	—	365
Depreciation and amortisation	12,554	7,852	—	20,406
Provision of impairment losses	40,332	—	—	40,332
Reportable segment assets	1,849,869	484,905	7,459,987	9,794,761
Reportable segment liabilities	948,135	269,832	—	1,217,967

Year ended December 31, 2012

	Energy preservation and environmental protection solutions	Port logistics services	Investments in construction material companies and other investments	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	Reportable segment revenue	1,174,634	75,801	—
Reportable segment profit before tax	289,647	16,846	1,176,249	1,482,742
Interest income	8,485	503	—	8,988
Interest expense	970	12,930	—	13,900
Depreciation and amortisation	13,997	20,409	—	34,406
Reversal of impairment losses	(6,512)	—	—	(6,512)
Reportable segment assets	1,762,940	674,598	8,367,150	10,804,688
Reportable segment liabilities	879,001	446,931	—	1,325,932

Six months ended June 30, 2012 (unaudited)

	Energy preservation and environmental protection solutions	Port logistics services	Investments in construction material companies and other investments	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	Reportable segment revenue	614,605	29,949	—
Reportable segment profit before tax	158,859	5,705	547,172	711,736
Interest income	3,210	140	—	3,350
Interest expense	—	4,057	—	4,057
Depreciation and amortisation	6,985	9,083	—	16,068
Reversal of impairment losses	(1,708)	—	—	(1,708)

Six months ended June 30, 2013

	Energy preservation and environmental protection solutions	Port logistics services	Investments in construction material companies and other investments	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	Reportable segment revenue	592,994	63,714	—
Reportable segment profit before tax	147,655	22,649	547,411	717,715
Interest income	5,742	157	—	5,899
Interest expense	1,689	7,939	—	9,628
Depreciation and amortisation	7,417	15,543	—	22,960
Provision of impairment losses	7,840	158	—	7,998
Reportable segment assets	1,730,920	674,918	8,845,340	11,251,178
Reportable segment liabilities	880,099	430,211	750,000	2,060,310

(ii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, lease prepayments, intangible assets, interest in an associate and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or to which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of lease prepayments, property, plant and equipment, the location of the operation to which they are used, in the case of intangible assets, and the location of operations, in the case of interest in an associate.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
Mainland China	1,808,576	1,484,361	835,616	414,694	528,756
Brazil	—	—	259,100	192,552	—
Thailand	1,581	4,001	149,248	31,835	26,414
Japan	2,010	93,633	6,471	5,473	6,089
Vietnam	—	—	—	—	62,369
Indonesia	—	—	—	—	33,080
	<u>1,812,167</u>	<u>1,581,995</u>	<u>1,250,435</u>	<u>644,554</u>	<u>656,708</u>

The specified non-current assets are all located in Mainland China in the Relevant Periods.

4 Other revenue

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	8,653	7,450	8,988	3,350	5,899
Government grants	939	601	2,535	1,848	1,401
	<u>9,592</u>	<u>8,051</u>	<u>11,523</u>	<u>5,198</u>	<u>7,300</u>

5 Other net loss/(income)

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net loss on disposal of property, plant and equipment	2	45	58	7	—
Exchange loss/(gain)	57	(413)	234	87	(324)
	<u>59</u>	<u>(368)</u>	<u>292</u>	<u>94</u>	<u>(324)</u>

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
(a) Finance costs:					
Interest on loans and borrowings . . .	2,768	7,354	17,154	7,311	9,628
Less: interest expense capitalised into construction in progress . . .	(1,655)	(6,989)	(3,254)	(3,254)	—
	<u>1,113</u>	<u>365</u>	<u>13,900</u>	<u>4,057</u>	<u>9,628</u>

For the years ended December 31, 2010, 2011 and 2012, and for the six months ended June 30, 2013, the borrowing costs have been capitalised at rates of 5.31%–5.81%, 5.81%–6.56%, 4.8%–6.56% and 6%–6.56%, respectively.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
(b) Staff costs:					
Salaries, wages and other benefits . . .	47,803	32,865	42,934	21,990	28,010
Contributions to defined contribution plans (i)	2,801	4,386	5,672	2,505	3,286
	<u>50,604</u>	<u>37,251</u>	<u>48,606</u>	<u>24,495</u>	<u>31,296</u>

- (i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
(c) Other items:					
Cost of inventories	1,133,168	846,725	656,796	363,178	352,613
Depreciation	10,859	17,752	31,671	14,701	21,289
Amortisation of lease prepayments . . .	2,077	2,343	2,411	1,205	1,225
Amortisation of intangible assets . . .	274	311	324	162	446
Research and development costs . . .	11,560	16,027	22,730	6,079	5,027
Impairment losses/(reversal of impairment losses) on trade receivables	—	40,332	(6,512)	(1,708)	7,998
Operating lease charges	1,445	1,637	1,222	615	1,503
Auditors' remuneration	560	560	540	—	1,840
	<u>1,149,943</u>	<u>947,384</u>	<u>722,902</u>	<u>381,440</u>	<u>373,942</u>

7 Income tax in the combined income statements

(a) Income tax in the combined income statements represents:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax:					
Provision for PRC income tax for the year/period	106,498	94,952	64,526	38,749	39,200
(Over)/under provision in respect of prior years/periods	<u>(579)</u>	<u>146</u>	<u>(656)</u>	<u>(656)</u>	<u>589</u>
Provision for current income tax (Note 22(a))	105,919	95,098	63,870	38,093	39,789
Deferred tax:					
Origination and reversal of temporary differences (Note 22(b)).	<u>5,700</u>	<u>(17,932)</u>	<u>2,432</u>	<u>(1,333)</u>	<u>(3,354)</u>
	<u>111,619</u>	<u>77,166</u>	<u>66,302</u>	<u>36,760</u>	<u>36,435</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) No provision for Hong Kong Profits Tax was made for the subsidiary located in Hong Kong as this subsidiary did not have assessable profits subject to Hong Kong Profits Tax during the Relevant Periods. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.
- (iii) The provision for PRC income tax is based on a statutory rate of 25% of the assessable income of the Company's mainland China subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC. A subsidiary obtained high technology enterprise certificate and is entitled to the preferential tax rate of 15% since 2008.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation	<u>1,668,959</u>	<u>2,462,772</u>	<u>1,482,742</u>	<u>711,736</u>	<u>717,715</u>
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	417,240	615,693	370,685	177,934	179,428
PRC tax concessions	(31,087)	(21,061)	(8,115)	(3,280)	(6,235)
Additional deduction for research and development costs	(2,050)	(2,114)	(2,029)	(694)	(792)
Tax effect of non-deductible expense . .	6,249	226	479	249	298
(Over)/under provision in respect of prior years/periods	(579)	146	(656)	(656)	589
Share of profit of an associate	<u>(278,154)</u>	<u>(515,724)</u>	<u>(294,062)</u>	<u>(136,793)</u>	<u>(136,853)</u>
Income tax	<u>111,619</u>	<u>77,166</u>	<u>66,302</u>	<u>36,760</u>	<u>36,435</u>

8 Other comprehensive income

Components of other comprehensive income:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Share of changes of reserves of an associate, net of tax (i)	87,964	(128,405)	(72,174)	(62,025)	(147,275)
Change in fair value of available-for-sale securities	—	—	—	—	80
Net deferred tax expense	—	—	—	—	(20)
Net movement during the year/period recognised in other comprehensive income	<u>87,964</u>	<u>(128,405)</u>	<u>(72,174)</u>	<u>(62,025)</u>	<u>(147,215)</u>

(i) Share of changes of reserves of an associate represented the share of changes in fair value of available-for-sale equity securities of the associate.

9 Directors' remuneration

Directors' remuneration disclosed are as follows:

Year ended December 31, 2010

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:					
Mr. Ji Qinying (i)	—	—	—	—	—
Mr. Zhu Zhongping (ii)(iv) . . .	—	—	—	—	—
Mr. Li Jian (i)	—	—	—	—	—
Mr. Li Daming (iii)	—	160	350	16	526
Non-executive Director:					
Mr. Guo Jingbin (i)	—	—	—	—	—
	—	160	350	16	526

Year ended December 31, 2011

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:					
Mr. Ji Qinying (i)	—	—	—	—	—
Mr. Zhu Zhongping (ii)(iv) . . .	—	—	—	—	—
Mr. Li Jian (i)	—	—	—	—	—
Mr. Li Daming (iii)	—	174	400	19	593
Non-executive Director:					
Mr. Guo Jingbin (i)	—	—	—	—	—
	—	174	400	19	593

Year ended December 31, 2012

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:					
Mr. Ji Qinying (i)	—	—	—	—	—
Mr. Zhu Zhongping (ii)(iv) . . .	—	—	—	—	—
Mr. Li Jian (i)	—	—	—	—	—
Mr. Li Daming (iii)	—	167	360	22	549
Non-executive Director:					
Mr. Guo Jingbin (i)	—	—	—	—	—
	—	167	360	22	549

Six months ended June 30, 2012 (Unaudited)

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:					
Mr. Ji Qinying (i)	—	—	—	—	—
Mr. Zhu Zhongping (ii)(iv) . . .	—	—	—	—	—
Mr. Li Jian (i)	—	—	—	—	—
Mr. Li Daming (iii)	—	86	185	10	281
Non-executive Director:					
Mr. Guo Jingbin (i)	—	—	—	—	—
	—	86	185	10	281

Six months ended June 30, 2013

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:					
Mr. Ji Qinying (i)	—	—	—	—	—
Mr. Zhu Zhongping (ii)(iv) . . .	—	—	—	—	—
Mr. Li Jian (i)	—	—	—	—	—
Mr. Li Daming (iii)	—	80	168	12	260
Non-executive Director:					
Mr. Guo Jingbin (i)	—	—	—	—	—
	—	80	168	12	260

- (i) During the Relevant Periods, remuneration of these directors were RMB1,471,000, RMB2,066,000, RMB1,449,000, RMB166,000 and RMB191,000 for the year ended December 31, 2010, 2011 and 2012 and for the six months ended June 30, 2012 and 2013, respectively. These remuneration were paid by Conch Holdings and its subsidiaries for their directorship in these companies during the relevant years/periods.
- (ii) During the Relevant Periods, remuneration of this director was RMB504,000, RMB657,000, RMB1,125,000, RMB211,000, and RMB242,000 for the year ended December 31, 2010, 2011 and 2012 and for the six months ended June 30, 2012 and 2013, respectively. The remuneration was settled by a subsidiary of CV Investment for his directorship in that company during the relevant years/periods.
- (iii) During the Relevant Periods, remuneration of this director was settled by CK Engineering for his directorship in CK Engineering during the relevant years/periods.
- (iv) Mr. Zhu Zhongping, who acted as an executive director of the Company, resigned on October 28, 2013.

No directors of the Company waived or agreed to waive any remuneration during the Relevant Periods. No remuneration was paid to independent non-executive directors during the Relevant Periods as the independent non-executive directors have not been appointed during the Relevant Periods.

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out in Note 10 below as an inducement to join or upon joining the Group or as compensation for loss of office.

10 Individuals with highest emoluments

Of the five highest paid individuals of the Group during the Relevant Periods, one is a director of the Company whose emolument is disclosed in Note 9. The aggregate of the emoluments in respect of the other four individuals are as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries, allowances and benefits in kind	642	683	672	399	351
Discretionary bonuses	1,023	1,328	1,168	580	500
Contributions to retirement benefit schemes	65	77	90	50	59
	<u>1,730</u>	<u>2,088</u>	<u>1,930</u>	<u>1,029</u>	<u>910</u>

The emoluments of the above individuals are within the band of nil to HK\$1,000,000.

11 Earnings per share

The calculation of basic earnings per share for the Relevant Periods is based on the profit attributable to equity shareholders of the Company for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 and the 1,500,000,000 shares in issue as at the date of the Prospectus, as if the shares were outstanding throughout the entire Relevant Periods.

There were no dilutive potential ordinary shares during the Relevant Periods and, therefore, diluted earnings per share are equivalent to basic earnings per share.

12 Property, plant and equipment

	Plant and buildings	Machinery and equipment	Office and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At January 1, 2010	206,254	42,888	2,908	4,523	18,095	274,668
Additions	377	8,590	671	1,232	187,723	198,593
Disposals	—	(375)	(3)	—	—	(378)
At December 31, 2010 and January 1, 2011	206,631	51,103	3,576	5,755	205,818	472,883
Additions	829	32,206	808	2,315	167,646	203,804
Transfer from construction in progress	177,874	—	—	—	(177,874)	—
Disposals	—	—	—	(1,276)	—	(1,276)
At December 31, 2011 and January 1, 2012	385,334	83,309	4,384	6,794	195,590	675,411
Additions	18,033	73,106	1,616	343	82,704	175,802
Transfer from construction in progress	133,074	25,396	—	—	(158,470)	—
Disposals	—	(76)	(263)	—	—	(339)
At December 31, 2012 and January 1, 2013	536,441	181,735	5,737	7,137	119,824	850,874
Additions	—	12,948	266	—	51,579	64,793
Transfer from construction in progress	3,251	55,386	—	—	(58,637)	—
Disposals	—	(4)	(12)	—	—	(16)
At June 30, 2013.	539,692	250,065	5,991	7,137	112,766	915,651
Accumulated depreciation:						
At January 1, 2010	(10,001)	(3,333)	(1,012)	(1,281)	—	(15,627)
Charge for the year	(6,443)	(2,877)	(603)	(936)	—	(10,859)
Written back on disposals.	—	48	2	—	—	50
At December 31, 2010 and January 1, 2011	(16,444)	(6,162)	(1,613)	(2,217)	—	(26,436)
Charge for the year	(11,280)	(4,867)	(713)	(892)	—	(17,752)
Written back on disposals.	—	—	—	323	—	323
At December 31, 2011 and January 1, 2012	(27,724)	(11,029)	(2,326)	(2,786)	—	(43,865)
Charge for the year	(18,079)	(11,519)	(921)	(1,152)	—	(31,671)
Written back on disposals.	—	10	221	—	—	231
At December 31, 2012 and January 1, 2013	(45,803)	(22,538)	(3,026)	(3,938)	—	(75,305)
Charge for the year	(11,032)	(9,321)	(455)	(481)	—	(21,289)
Written back on disposals.	—	1	10	—	—	11
At June 30, 2013.	(56,835)	(31,858)	(3,471)	(4,419)	—	(96,583)
Net book value:						
At December 31, 2010	190,187	44,941	1,963	3,538	205,818	446,447
At December 31, 2011	357,610	72,280	2,058	4,008	195,590	631,546
At December 31, 2012	490,638	159,197	2,711	3,199	119,824	775,569
At June 30, 2013.	482,857	218,207	2,520	2,718	112,766	819,068

As at the date of this report, the Group was in the process of applying for registration of the ownership certificates for plant and buildings. The aggregate carrying amount of such plant and buildings of the Group as at June 30, 2013 was approximately RMB482,857,000. The directors are of the opinion that the Group is entitled to legally occupy or use these plant and buildings.

13 Lease prepayments

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
Cost:				RMB'000
At January 1,	100,417	120,577	120,577	120,577
Additions	20,160	—	—	—
At December 31,/June 30,	120,577	120,577	120,577	120,577
Accumulated amortisation:				
At January 1,	(3,228)	(5,305)	(7,648)	(10,059)
Charge for the year/period	(2,077)	(2,343)	(2,411)	(1,225)
At December 31,/June 30,	(5,305)	(7,648)	(10,059)	(11,284)
Net book value:				
At December 31,/June 30,	115,272	112,929	110,518	109,293

Lease prepayments represent cost of land use rights in respect of land located in the PRC with lease period of 50 years when granted.

As at the date of this report, the Group was in the process of applying for registration of the ownership certificates for certain of its land use rights. The aggregate carrying value of such land use rights of the Group as at June 30, 2013 was approximately RMB39,000,000. The directors are of the opinion that the Group is entitled to legally occupy or use these land.

14 Intangible assets

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
Cost:				RMB'000
At January 1,	2,598	2,791	3,085	3,125
Additions	193	294	40	240
At December 31,/June 30,	2,791	3,085	3,125	3,365
Accumulated amortisation:				
At January 1,	(615)	(889)	(1,200)	(1,524)
Charge for the year/period	(274)	(311)	(324)	(446)
At December 31,/June 30,	(889)	(1,200)	(1,524)	(1,970)
Net book value:				
At December 31,/June 30,	1,902	1,885	1,601	1,395

15 Interest in an associate

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
Share of net assets	5,845,515	7,459,987	8,367,150	8,761,785

The particulars of the associate are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Principal activities
Conch Holdings.	incorporated	The PRC	RMB800,000,000	49%	Investment holding

The particulars of Conch Holdings's investment holdings as at June 30, 2013 and the date of this report are as follows:

Name of investee	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Ownership interest held by Conch Holdings	Principal activities
Anhui Conch Cement Co., Ltd. (i) ("Conch Cement")	incorporated	The PRC	5,299,302,579 ordinary shares of RMB1 each	36.75%	Manufacture and sale of cement related products
Wuhu Conch Profiles and Science Co., Ltd. ("Conch Profiles")	incorporated	The PRC	360,000,000 ordinary shares of RMB1 each	32.07%	Manufacture of new chemical and building materials
Anhui Conch Building Materials Design and Research Institute ("Conch Design Institute")	incorporated	The PRC	RMB15,000,000	100%	Design and contract cement/light steel construction
Yingde Conch International Hotel Co., Ltd.	incorporated	The PRC	RMB63,800,000	100%	Hotel service
Wuhu Conch International Hotel Co., Ltd.	incorporated	The PRC	RMB68,500,000	100%	Hotel service
Anhui Conch IT Engineering Co., Ltd. ("Conch IT Engineering")	incorporated	The PRC	RMB5,000,000	100%	Computer system design and development

- (i) Conch Holdings acquired additional 3,206,320, 6,838,133 and 3,565,067 shares of Conch Cement through its wholly-owned subsidiary, Conch Design Institute, on September 20, 2011, December 31, 2011 and January 13, 2012, respectively. After the acquisitions, the Conch Holdings's effective interest in Conch Cement increased from 36.48% to 36.75%.

Summary of the consolidated financial information of Conch Holdings

	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenue</u>	<u>Profit</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2010					
100 percent	20,149,829	8,220,206	11,929,623	186,061	2,270,643
Effective interest	<u>9,873,416</u>	<u>4,027,901</u>	<u>5,845,515</u>	<u>91,170</u>	<u>1,112,615</u>
2011					
100 percent	25,252,684	10,028,220	15,224,464	235,034	4,209,988
Effective interest	<u>12,373,815</u>	<u>4,913,828</u>	<u>7,459,987</u>	<u>115,167</u>	<u>2,062,894</u>
2012					
100 percent	27,451,176	10,375,359	17,075,817	301,144	2,400,508
Effective interest	<u>13,451,076</u>	<u>5,083,926</u>	<u>8,367,150</u>	<u>147,561</u>	<u>1,176,249</u>
June 30, 2012 (unaudited)					
100 percent	27,230,670	11,414,385	15,816,285	158,767	1,116,678
Effective interest	<u>13,343,029</u>	<u>5,593,049</u>	<u>7,749,980</u>	<u>77,796</u>	<u>547,172</u>
June 30, 2013					
100 percent	25,523,343	7,642,149	17,881,194	150,252	1,117,165
Effective interest	<u>12,506,438</u>	<u>3,744,653</u>	<u>8,761,785</u>	<u>73,623</u>	<u>547,411</u>

16 Available-for-sale securities

	<u>As at December 31,</u>			<u>As at</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>June 30,</u>
	RMB'000	RMB'000	RMB'000	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale securities	<u>—</u>	<u>—</u>	<u>—</u>	<u>81,080</u>

As at June 30, 2013, available-for-sale securities comprise the investments in wealth management products sold by banks, which are measured at fair value. The fair value of the wealth management products is based on the bank's quoted surrender value as at June 30, 2013.

17 Inventories

(a) Inventories in the combined statement of financial position comprise:

	<u>As at December 31,</u>			<u>As at</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>June 30,</u>
	RMB'000	RMB'000	RMB'000	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	75,217	106,877	107,031	102,888
Work in progress	4,225	10,128	21,820	21,019
Finished goods	99,181	106,988	117,457	58,023
Goods in transit	<u>17,050</u>	<u>1,113</u>	<u>17,322</u>	<u>5,763</u>
	<u>195,673</u>	<u>225,106</u>	<u>263,630</u>	<u>187,693</u>

No inventory provision was made as at December 31, 2010, 2011 and 2012 and June 30, 2013. The inventories as at December 31, 2010, 2011 and 2012 and June 30, 2013 were stated at cost.

- (b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold	1,133,168	846,725	656,796	352,613

18 Trade and other receivables

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	479,660	355,028	365,851	397,246
Gross amounts due from customers for construction contract work	—	38,728	94,738	68,220
Bills receivable	93,079	100,634	136,071	176,462
Less: allowance for doubtful debts	—	(40,332)	(33,820)	(41,818)
Trade and bills receivables	572,739	454,058	562,840	600,110
Deposits and prepayments	50,717	100,888	56,548	36,543
Other receivables	7,129	10,515	62,687	44,334
Amounts due from third parties	630,585	565,461	682,075	680,987
Amounts due from related parties (Note 27(c)) . . .	241,809	236,071	97,482	155,924
	872,394	801,532	779,557	836,911
Non-current portion of gross amounts due from customers for construction contract work	—	165,302	153,193	122,824
Total current and non-current trade and other receivables	872,394	966,834	932,750	959,735

Except for the non-current portion of gross amounts due from customers for construction contract work, all of the trade and other receivables are expected to be recovered within one year.

As at December 31, 2010, 2011 and 2012 and June 30, 2013, the Group endorsed the undue bills receivable of RMB215 million, RMB152.8 million, RMB80.7 million and RMB58 million respectively to its suppliers to settle trade payables of the same amount and derecognised these bills receivable and the payables to suppliers in their entirety as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue bills receivable is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills. The maximum exposure to loss from its continuous involvement represents the amount of undue bills receivable of RMB215 million, RMB152.8 million, RMB80.7 million and RMB58 million as at December 31, 2010, 2011, 2012 and June 30, 2013, which the Group endorsed to its suppliers. The carrying amounts of these undue bills receivable and trade payables approximate its fair values. These undue bills receivable were due within 6 months.

The amounts due from related parties are unsecured, non-interest bearing and repayable on demand.

(a) Ageing analysis

As of the end of the Relevant Periods, the ageing analysis of trade receivables and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	421,991	323,946	452,164	511,036
After 1 year but within 2 years.	150,748	46,933	89,419	54,108
After 2 years but within 3 years.	—	83,179	6,901	22,863
After 3 years but within 5 years.	—	—	14,356	12,103
	572,739	454,058	562,840	600,110

Details on the Group credit policy are set out in Note 25(a).

(b) Impairment of trade receivables and bills receivable

Impairment losses in respect of trade receivables and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and bills receivable directly (see Note 1(l)(i)).

The movement in the allowance for doubtful debts during the Relevant Periods, including both specific and collective loss components, is as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year	—	—	40,332	33,820
Impairment losses recognised/(reversal of impairment losses)	—	40,332	(6,512)	7,998
At the end of the year.	—	40,332	33,820	41,818

Management assess that there were no individually impaired trade receivables as at December 31, 2010, 2011 and 2012 and June 30, 2013.

(c) Trade receivables and bills receivable that are not impaired

The ageing analysis of trade receivables and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
				RMB'000
Current	286,433	243,669	332,703	305,008
Less than 1 year past due	286,306	185,509	195,711	267,556
1 to 2 years past due	—	24,880	34,426	27,546
Total amount past due	286,306	210,389	230,137	295,102
	<u>572,739</u>	<u>454,058</u>	<u>562,840</u>	<u>600,110</u>

Receivables that were neither past due nor impaired relate to customers and debtors for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) Construction contracts in progress

As at December 31, 2010, 2011 and 2012 and June 30, 2013, the aggregate amount of costs incurred plus recognised profits less recognised losses to date, including the gross amounts due from customers for contract work was RMB99,810,000, RMB380,887,000, RMB349,637,000 and RMB284,235,000, respectively. The gross amounts due from customers from contract work are expected to be recovered upon contract term.

(e) Retention receivables

As at December 31, 2010, 2011 and 2012 and June 30, 2013, included in trade receivables are retention receivables in respect of construction contracts of RMB5,950,000, RMB5,710,000, RMB28,174,000 and RMB8,230,000, respectively. These balances are expected to be recovered within one to two years.

19 Cash and cash equivalents*(a) Cash and cash equivalents comprise:*

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
				RMB'000
Cash in hand	5	25	7	10
Cash at bank	579,410	316,935	276,381	246,703
	<u>579,415</u>	<u>316,960</u>	<u>276,388</u>	<u>246,713</u>

(b) Reconciliation of profit before taxation to cash generated from operations:

Section B Note	Year ended December 31,			Six months ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (Unaudited)	2013 RMB'000
Profit before taxation	1,668,959	2,462,772	1,482,742	711,736	717,715
Adjustments for:					
Depreciation	6(c) 10,859	17,752	31,671	14,701	21,289
Amortisation of lease prepayments	6(c) 2,077	2,343	2,411	1,205	1,225
Amortisation of Intangible assets	6(c) 274	311	324	162	446
Impairment loss/(reversal of impairment losses) on trade receivables	6(c) —	40,332	(6,512)	(1,708)	7,998
Net loss on disposal of property, plant and equipment.	5 2	45	58	7	—
Finance costs	6(a) 1,113	365	13,900	4,057	9,628
Interest income	4 (8,653)	(7,450)	(8,988)	(3,350)	(5,899)
Share of profit of an associate	(1,072,719)	(2,038,298)	(1,171,495)	(544,175)	(541,911)
Operating profit before changes in working capital.	601,912	478,172	344,111	182,635	210,491
Decrease/(increase) in inventories	63,071	(29,433)	(38,524)	(12,320)	75,937
Increase in restricted bank deposits	—	—	—	—	(4,000)
(Increase)/decrease in trade and other receivables	(226,452)	(134,772)	40,596	23,240	(34,983)
Decrease in trade and other payables.	(81,597)	(35,381)	(97,079)	(61,439)	(60,417)
Cash generated from operations	<u>356,934</u>	<u>278,586</u>	<u>249,104</u>	<u>132,116</u>	<u>187,028</u>

20 Loans and borrowings

	As at December 31,			As at June 30,
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
Within one year				
Bank Loans	—	—	90,000	691,000
Loans from related party (Note 27(c))	100,000	200,000	300,000	80,000
Subtotal.	100,000	200,000	390,000	771,000
After one year but within two years				
Bank loans	—	—	30,000	235,000
After two year but within five years				
Bank loans	—	—	—	184,000
Subtotal.	—	—	30,000	419,000
Total	<u>100,000</u>	<u>200,000</u>	<u>420,000</u>	<u>1,190,000</u>

(i) As at December 31, 2012 and June 30, 2013, all bank loans were denominated in RMB from PRC banks.

- (ii) As at December 31, 2012 and June 30, 2013, the bank loans of RMB120,000,000 and RMB720,000,000 respectively bore a fixed annual interest rates ranged from 4.8% to 6.15%. As at June 30, 2013, the bank loans of RMB390,000,000 bore a variable annual interest rates ranged from 6.15% to 6.4%.
- (iii) As at December 31, 2010, 2011 and 2012 and June 30, 2013, loans from a related party bore variable annual interest rates ranged from 5.31% to 6.56%.
- (iv) As at December 31, 2012 and June 30, 2013, the bank loans of RMB20,000,000 and RMB621,000,000 within one year, and RMB30,000,000 and RMB419,000,000 after one year were guaranteed by CV Investment (Note 27(d)).

21 Trade and other payables

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
				RMB'000
Trade payables	412,600	355,650	311,811	283,293
Bills payable	44,508	127,801	137,314	144,048
	457,108	483,451	449,125	427,341
Receipts in advance	149,936	177,349	46,587	62,097
Other payables and accruals	142,894	128,299	120,828	122,707
Amounts due to third parties	749,938	789,099	616,540	612,145
Amounts due to related parties (Note 27(c))	256,593	189,405	281,309	247,003
Trade and other payables	<u>1,006,531</u>	<u>978,504</u>	<u>897,849</u>	<u>859,148</u>

Bills payable were secured by the following assets of the Group:

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
				RMB'000
Restricted bank deposits	—	—	—	4,000

An ageing analysis of trade and bills payables of the Group is as follows:

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
				RMB'000
Within 1 year	<u>457,108</u>	<u>483,451</u>	<u>449,125</u>	<u>427,341</u>

The amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

22 Income tax

(a) Income tax payables in the combined statements of financial position represent:

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
Balance at beginning of the year/period	87,866	61,029	39,463	8,083
Provision for current income tax for the year/ period (Note 7(a))	105,919	95,098	63,870	39,789
Payment during the year/period	(132,756)	(116,664)	(95,250)	(36,710)
Income tax payables at the end of the year/period	<u>61,029</u>	<u>39,463</u>	<u>8,083</u>	<u>11,162</u>

(b) Deferred tax assets and liabilities recognised:

(i) Deferred tax assets/(liabilities) recognised:

The components of deferred tax assets/(liabilities) recognised in the combined statement of financial position and the movements during the Relevant Periods are as follows:

	Unrealized profit upon elimination	Impairment losses on trade receivables	Fair value change of available- for-sales securities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:				
At December 31, 2009 and January 1, 2010	29,212	—	—	29,212
Charged to profit or loss	(5,700)	—	—	(5,700)
At December 31, 2010 and January 1, 2011	23,512	—	—	23,512
Credited to profit or loss	7,849	10,083	—	17,932
At December 31, 2011 and January 1, 2012	31,361	10,083	—	41,444
Charged to profit or loss	(804)	(1,628)	—	(2,432)
At December 31, 2012 and January 1, 2013	30,557	8,455	—	39,012
Credited to profit or loss	1,645	1,709	—	3,354
Charged to reserves	—	—	(20)	(20)
At June 30, 2013	<u>32,202</u>	<u>10,164</u>	<u>(20)</u>	<u>42,346</u>

(ii) Deferred tax liabilities not recognised:

The PRC income tax law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on or after January 1, 2008. Undistributed earnings generated prior to January 1, 2008 are exempt from such withholding tax. The Group has not recognised deferred tax liabilities as at June 30, 2013 in respect of undistributed earnings of RMB630,705,000 because it is probable that they will not be distributable to the holding company outside the PRC in the foreseeable future.

23 Share capital

The Company was incorporated on June 24, 2013 and the reorganisation of the Group was not completed as at June 30, 2013. As described in Note 1(b), the Financial Information has been prepared as if the Group had always been in existence. For the purpose of this report, share capital as at December 31, 2010, 2011 and 2012 and June 30, 2013 represents the aggregate amount of the Group's share of the nominal value of the paid in capital of the companies comprising the Group at the respective dates.

(a) Capitalisation of a subsidiary

Pursuant to the resolution by the Board of Directors of CK Equipment on March 28, 2013, it was resolved to increase its registered capital by RMB40,000,000 through transfer from its general reserve fund and enterprise expansion fund. The Group's share of such increase in registered capital was RMB20,400,000.

24 Reserves

(a) Capital reserves

Capital reserves as at December 31, 2010, 2011 and 2012 and June 30, 2013 represent the share of non-distributable reserves of an associate at the respective dates.

(b) PRC statutory reserves

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors' meeting.

For the entity concerned, PRC statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(c) Distribution to then equity holder

Distribution to then equity holder during the years ended December 31, 2011 and 2012 represents the dividend declared by Conch Holdings, which is the Group's associate. The amounts were paid to CV Investment, then equity holder of the 49% interest in Conch Holdings. For purposes of the Financial Information, the dividend received by CV Investment during the Relevant Periods have been recorded as a reduction of the carrying value of the investment in an associate and a distribution to then equity holder. The amounts are accounted for as non-cash transactions and excluded from the Group's combined cash flow statements.

(d) Deemed distribution to then equity holder

Deemed distribution for the period ended June 30, 2013 represents the consideration of RMB766,445,373 for the transfer of 49% equity interest in Conch Holdings held by CV Investment to Conch Venture Wuhu in connection with the Reorganisation (see Note 1(b)). Such consideration was settled by the bank loans repayment obligation of RMB750,000,000 transferred from CV Investment and cash payment of RMB16,445,373, and was accounted for as a deemed distribution to then equity holder arising from Reorganisation.

(e) Distributable reserve

The Company was incorporated on June 24, 2013 and has not carried out any business since its date of incorporation. Accordingly, there was no reserve available for distribution to shareholders as at June 30, 2013.

(f) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio. The Group defines gearing ratio as total liabilities divided by total assets.

The Group's strategy was to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at December 31, 2010, 2011 and 2012 and June 30, 2013 was 14.45%, 12.43%, 12.27% and 18.31%.

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
				RMB'000
Total liabilities	1,167,560	1,217,967	1,325,932	2,060,310
Total assets	8,080,130	9,794,761	10,804,688	11,251,178
Gearing ratio	14.45%	12.43%	12.27%	18.31%

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

25 Financial risk management and fair values

Financial assets of the Group include cash and cash equivalents, restricted cash deposits, trade and other receivables. Financial liabilities of the Group include loans and borrowings, and trade and other payables.

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- interest rate risk
- foreign currency risk

The Group's exposure to these factors and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the date of billing, except for the retention receivables which are due within one to two years. Debtors with balances that are more than 30 days past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The receivables from the five largest debtors at December 31, 2010, 2011 and 2012 and June 30, 2013 represented 31%, 36%, 25% and 17% of the total trade and other receivables respectively, while 27%, 21%, 10% and 14% of total trade and other receivables were due from the largest single debtor respectively.

The Group does not provide any other guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 18.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Group had net current liabilities of RMB246,843,000 as at June 30, 2013. With regards to its future capital commitments and other financing requirement, the Group has unutilized banking facilities of RMB130,000,000 as at June 30, 2013.

In addition, the directors of the Group have carried out a review of the cashflow forecast for the 18 months period ending December 31, 2014. Based on such forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital commitment requirements of the Group during the period. In preparing the cashflow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the above-mentioned borrowings financing which may impact the operations of the Group prior to the end of the next 12 months after the date of this report. The directors are of the opinion that the assumptions which are included in the cash flow forecast

are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

At December 31, 2010					
Contractual undiscounted cash outflow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	102,945	—	—	102,945	100,000
Trade and other payables	1,006,531	—	—	1,006,531	1,006,531
	<u>1,109,476</u>	<u>—</u>	<u>—</u>	<u>1,109,476</u>	<u>1,106,531</u>

At December 31, 2011					
Contractual undiscounted cash outflow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	208,626	—	—	208,626	200,000
Trade and other payables	978,504	—	—	978,504	978,504
	<u>1,187,130</u>	<u>—</u>	<u>—</u>	<u>1,187,130</u>	<u>1,178,504</u>

At December 31, 2012					
Contractual undiscounted cash outflow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	406,244	31,743	—	437,987	420,000
Trade and other payables	897,849	—	—	897,849	897,849
	<u>1,304,093</u>	<u>31,743</u>	<u>—</u>	<u>1,335,836</u>	<u>1,317,849</u>

At June 30, 2013					
Contractual undiscounted cash outflow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	817,582	255,230	198,635	1,271,447	1,190,000
Trade and other payables	859,148	—	—	859,148	859,148
	<u>1,676,730</u>	<u>255,230</u>	<u>198,635</u>	<u>2,130,595</u>	<u>2,049,148</u>

(c) Interest rate risk**(i) Interest rate profile**

The Group's interest rate risk arises primarily from loans and borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out below.

Cash at bank and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk.

The Group's cash at bank and interest-bearing borrowings, and their interest rates as at December 31, 2010, 2011 and 2012 and June 30, 2013 are set out as follows:

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Interest rate %	RMB'000	Interest rate %	RMB'000	Interest rate %	RMB'000	Interest rate %	RMB'000
Fixed rate								
Bank loans and borrowings . . .	—	—	—	—	4.80%–6.15%	(120,000)	4.80%–6.15%	(720,000)
Variable rate								
Cash at bank	0.36%–1.17%	579,410	0.5%–1.31%	316,935	0.35%–1.15%	276,381	0.35%–1.15%	246,703
Bank loans and borrowings . . .	—	—	—	—	—	—	6.15%–6.4%	(390,000)
Loans from a related party . . .	5.31%–5.81%	(100,000)	5.81%–6.56%	(200,000)	6%–6.56%	(300,000)	6%	(80,000)
		<u>479,410</u>		<u>116,935</u>		<u>(23,619)</u>		<u>(223,297)</u>

(ii) Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect the Group's profit or loss.

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of combined equity that would arise assuming that the change in interest rates had occurred at the end of the Relevant Periods and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the end of the Relevant Periods. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the Relevant Periods, the impact on the Group's profit after tax (and retained profits) and other components of combined equity is estimated as an annualized impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis during the Relevant Periods.

	<u>Increase/(decrease) in basis points</u>	<u>Increase/(decrease) in profit after tax and retained profits for the year/period</u>
		RMB'000
At December 31, 2010		
Basis points	25	920
Basis points	(25)	(920)
At December 31, 2011		
Basis points	25	235
Basis points	(25)	(235)
At December 31, 2012		
Basis points	25	(34)
Basis points	(25)	34
At June 30, 2013		
Basis points	25	(559)
Basis points	(25)	559

(d) Foreign currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars, Euro and Japanese Yen. The Group manages this risk as follows:

(i) Recognized assets and liabilities

In respect of trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of each of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year/period end date.

	At December 31, 2010			
	USD	EUR	JPY	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	(17,140)	—	(519)	(17,659)
Net exposure arising from recognised assets and liabilities	<u>(17,140)</u>	<u>—</u>	<u>(519)</u>	<u>(17,659)</u>
	At December 31, 2011			
	USD	EUR	JPY	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables	—	3,207	—	3,207
Trade and other payables	(94,337)	—	(8,282)	(102,619)
Cash and cash equivalents	—	—	714	714
Net exposure arising from recognised assets and liabilities	<u>(94,337)</u>	<u>3,207</u>	<u>(7,568)</u>	<u>(98,698)</u>
	At December 31, 2012			
	USD	EUR	JPY	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables	65,041	—	2	65,043
Trade and other payables	(14,093)	—	(13,948)	(28,041)
Cash and cash equivalents	4,861	—	34	4,895
Net exposure arising from recognised assets and liabilities	<u>55,809</u>	<u>—</u>	<u>(13,912)</u>	<u>41,897</u>
	At June 30, 2013			
	USD	EUR	JPY	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables	39,328	—	5,871	45,199
Trade and other payables	(31,556)	—	(12,044)	(43,600)
Cash and cash equivalents	17	—	2,286	2,303
Net exposure arising from recognised assets and liabilities	<u>7,789</u>	<u>—</u>	<u>(3,887)</u>	<u>3,902</u>

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure as at December 31, 2010, 2011 and 2012 and June 30, 2013 has changed at those dates, assuming all other risk variables remained constant.

	At December 31,				At June 30,			
	2010		2011		2012		2013	
	Increase in foreign exchange rate	Decrease in profit after tax and retained profits	Increase in foreign exchange rate	Increase/(decrease) in profit after tax and retained profits	Increase in foreign exchange rate	Increase/(decrease) in profit after tax and retained profits	Increase in foreign exchange rate	Increase/(decrease) in profit after tax and retained profits
		RMB'000		RMB'000		RMB'000		RMB'000
USD. .	1%	(129)	1%	(708)	1%	419	1%	58
EUR. .	1%	—	1%	24	1%	—	1%	—
JPY. .	1%	(3)	1%	(63)	1%	(116)	1%	(31)
		<u>(132)</u>		<u>(747)</u>		<u>303</u>		<u>27</u>

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translating into RMB at the exchange rate ruling at the end of the reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting periods, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for the year ended 2010, 2011 and 2012 and for the six months ended June 30, 2013.

(e) Fair values

All financial assets and liabilities are carried at amounts not materially different from their fair values as at December 31, 2010, 2011 and 2012 and June 30, 2013.

26 Commitments*(a) Capital commitments*

Capital commitments of the Group in respect of machinery and equipment outstanding at each of the statement of financial position not provided for in the Financial Information were as follows:

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
				RMB'000
Contracted for	<u>235,265</u>	<u>178,902</u>	<u>53,796</u>	<u>9,196</u>

(b) Operating lease commitments

At each balance sheet date, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	—	1,806	1,692	2,789
After 1 year but within 2 years.	—	904	610	1,842
After 2 years but within 5 years.	—	—	305	—
	—	2,710	2,607	4,631

The Group leases a number of properties under operating leases in respect of offices. The leases typically run for a period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

27 Material related party transactions

During the Relevant Periods, transactions with the following parties are considered as related party transactions.

Name of party (i)	Relationship
CV Investment 安徽海螺創業投資有限責任公司	Then equity holder
Kawasaki Heavy Industry Ltd. ("Kawasaki HI") 川崎重工業株式會社	Investor of CK Engineering and CK Equipment
Conch Cement 安徽海螺水泥股份有限公司	(a) Some directors of Conch Cement are also directors and shareholders of the Company; (b) the employees (primarily middle and senior management) of Conch Cement are the beneficial owners of the Company; (c) Conch Cement was the largest customer of the Group during the Relevant Periods
Shanghai Conch International Investment Development Co., Ltd. ("Conch IID Shanghai") 上海海螺國際投資發展有限公司	Subsidiary of CV Investment
Wuhu Conch Venture Property Management Co., Ltd. ("Conch Property Management") 蕪湖海螺物業管理有限公司	Subsidiary of CV Investment
Conch Design Institute 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Conch IT Engineering 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Design Institute
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. ("CKEM") 安徽海螺川崎裝備製造有限公司	Joint venture of Conch Cement and Kawasaki HI

- (i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

(a) *Key management personnel remuneration*

Key management personnel remuneration is disclosed in Note 9.

(b) *Significant related party transactions*

Particulars of significant transactions between the Group and the above related parties during the Relevant Periods are as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sales of goods					
Conch Cement	728,005	531,168	252,404	140,084	293,253
Kawasaki HI	18,396	—	36	29	1,781
	<u>746,401</u>	<u>531,168</u>	<u>252,440</u>	<u>140,113</u>	<u>295,034</u>

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Service rendered					
Conch Cement	22,388	29,742	78,295	18,003	72,983
Kawasaki HI	—	—	422	—	—
	<u>22,388</u>	<u>29,742</u>	<u>78,717</u>	<u>18,003</u>	<u>72,983</u>

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Purchase of Goods					
Conch Cement	4,237	13,869	4,465	3,637	2,337
Conch IT Engineering	—	5,915	6,451	4,248	2,410
Kawasaki HI	21,706	13,120	18,149	905	735
Conch IID Shanghai	58,518	74,901	60,512	20,959	28,715
CKEM	19,797	43,671	14,084	12,877	524
	<u>104,258</u>	<u>151,476</u>	<u>103,661</u>	<u>42,626</u>	<u>34,721</u>

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Services received				(Unaudited)	
Conch Cement	2,231	3	2,193	—	—
Conch Design Institute	10,407	26,802	9,514	7,640	487
Conch IT Engineering	2,283	4,871	3,288	869	1,483
Conch IID Shanghai	425	1,540	4,686	3,425	2,535
CV Investment	2,093	2,549	2,856	1,129	1,660
Kawasaki HI	—	2,145	11,033	—	1,756
Conch Property Management	1,286	1,352	1,415	707	651
CKEM	33	33	—	—	36
	<u>18,758</u>	<u>39,295</u>	<u>34,985</u>	<u>13,770</u>	<u>8,608</u>

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Proprietary technology usage fee				(Unaudited)	
Kawasaki HI	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>600</u>	<u>—</u>

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans				(Unaudited)	
CV Investment	<u>100,000</u>	<u>200,000</u>	<u>300,000</u>	<u>70,000</u>	<u>80,000</u>

Except for the transactions with Conch Cement, Conch IT Engineering and Conch Design Institute, the related party transactions described above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Connected Transactions" in this Prospectus.

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business. The directors confirmed that the loans from related party and guarantee issued by related party (see Note 27(d)) will not continue in the future after the listing of the Company's shares on the Hong Kong Stock Exchange.

(c) *Balances with related parties*

Balances with related parties at the end of each reporting period are as follows:

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
Amounts due from				RMB'000
Conch Cement	241,069	222,627	97,343	155,924
Kawasaki HI	—	5,768	—	—
Conch IT Engineering	540	499	—	—
Conch IID Shanghai	179	705	139	—
CKEM	21	6,472	—	—
	<u>241,809</u>	<u>236,071</u>	<u>97,482</u>	<u>155,924</u>

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
Amounts due to				RMB'000
Conch Cement	239,423	140,434	207,884	165,787
Kawasaki HI	2,374	3,427	11,782	31,552
Conch IID Shanghai	2,794	2,278	15,808	13,714
Conch IT Engineering	895	2,080	5,384	5,045
CKEM	8,074	18,372	8,838	1,062
Conch Design Institute	265	12,692	5,035	4,339
CV Investment	2,768	10,122	26,578	25,504
	<u>256,593</u>	<u>189,405</u>	<u>281,309</u>	<u>247,003</u>

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
Unsecured loans due to				RMB'000
CV Investment	<u>100,000</u>	<u>200,000</u>	<u>300,000</u>	<u>80,000</u>

Amounts due from/to related parties are unsecured, non-interest bearing, and are repayable on demand or in accordance with contractual terms which are similar to those terms offered to/by third parties. The directors of the Company confirm that the non-trade nature balance will be settled before the listing of the Company's share on the Hong Kong Stock Exchange and trade nature balance will be settled based on the relevant contract terms.

(d) *Guarantee issued by related party*

	As at December 31,			As at
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
Guarantee issued by related party in respect of bank loans borrowed by the Group				RMB'000
CV Investment	<u>—</u>	<u>—</u>	<u>50,000</u>	<u>1,040,000</u>

28 Possible impact of amendments, new standards and interpretations issued but not yet adopted for the Relevant Periods

Up to the date of issue of the Financial Information, the IASB has issued a number of amendments and new standards which are not yet effective for the six months June 30, 2013 and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities	January 1, 2014
Amendments to IAS 32, Financial instruments:	January 1, 2014
Presentation — Offsetting financial assets and financial liabilities	
Amendments to IAS 36, Recoverable amount disclosures for non-financial assets. . .	January 1, 2014
IFRS 9, Financial instruments (2010)	January 1, 2015
Amendments to IFRS 9, Financial instruments and IFRS 7 Financial instruments:	January 1, 2015
Disclosures — Mandatory effective date and transition disclosures	

The directors have confirmed that the Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application but is not yet in a position to state whether these amendments and new standards would have a significant impact on the Group's or the Company's results of operations and financial position.

C. SUBSEQUENT EVENTS

The following significant events took place subsequent to June 30, 2013:

(a) Group reorganisation

The Company was incorporated in the Cayman Islands on June 24, 2013. The companies comprising the Group underwent and completed a Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange. Further details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" in the Prospectus. After completion of the Reorganisation on August 23, 2013, the Company became the holding company of the Group.

(b) Financing arrangements

In October 2013, the Group reached the agreements with its banks to raise new long-term bank loans of RMB600,000,000 to repay the short-term bank loans. No adjustments have been made to these financial statements as a result of this re-financing and therefore the loans are presented as current liabilities as at the end of the reporting period.

D. FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on June 24, 2013 with an authorised capital of HKD15,000,000 divided into 1,500,000,000 ordinary shares of HKD0.01 each and 1,500,000,000 issued ordinary share of HKD15,000,000, as nil paid as at June 30, 2013. The Company has not carried on any business since the date on incorporation.

E. SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Company, or its subsidiaries in respect of any period subsequent to June 30, 2013. No dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to June 30, 2013.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

The following unaudited interim financial information of Conch Cement as of and for the period ended September 30, 2013 is reproduced from Conch Cement's announcement dated November 29, 2013.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

9 December 2013

Independent review report

To the board of directors of Anhui Conch Cement Company Limited

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out in sections I to VI below, which comprises the consolidated balance sheet of Anhui Conch Cement Company Limited (the "Company") and its subsidiaries (the "Group") as at 30 September 2013, the consolidated income statement and the consolidated statement of comprehensive income for the three months and nine months periods ended 30 September 2013, the consolidated statement of changes in equity and condensed consolidated statement of cash flows for the nine months period then ended 30 September 2013 and explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, "Interim financial reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 ("HKSRE 2410"), "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim financial reporting".

OTHER MATTER

Without modifying our review conclusion, we draw to your attention that the comparative amounts of the consolidated income statement and the consolidated statement of comprehensive income for the three months and nine months periods ended 30 September 2012, the consolidated statement of changes in equity and condensed consolidated statement of cash flows in respect of the nine months periods ended 30 September 2012 and the related notes disclosed in the interim financial report have not been reviewed in accordance with HKSRE 2410.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

I. Consolidated income statement

for the three months and nine months ended 30 September 2013 and 2012 – unaudited
(Expressed in Renminbi Yuan)

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2013	2012	2013	2012
		RMB'000	RMB'000	RMB'000	RMB'000
Revenue	3	13,420,928	11,687,735	37,008,016	32,246,890
Cost of sales and services rendered		(9,031,316)	(9,049,571)	(26,054,388)	(24,152,960)
Gross profit		4,389,612	2,638,164	10,953,628	8,093,930
Other revenue	4(a)	298,459	156,064	799,696	756,633
Other net income	4(b)	1,596	14,364	27,101	16,242
Selling and marketing costs		(663,363)	(600,005)	(1,872,834)	(1,562,861)
Administrative expenses		(547,176)	(512,081)	(1,711,078)	(1,403,858)
Profit from operations		3,479,128	1,696,506	8,196,513	5,900,086
Finance costs	5(a)	(251,206)	(282,295)	(845,604)	(814,065)
Share of profits/(losses) of associates		19,654	(1,558)	(3,829)	(3,377)
Share of losses of joint ventures		(6,313)	(19,437)	(25,246)	(25,452)
Profit before taxation	5	3,241,263	1,393,216	7,321,834	5,057,192
Income tax	6	(759,499)	(342,175)	(1,671,513)	(1,020,369)
Profit for the period		<u>2,481,764</u>	<u>1,051,041</u>	<u>5,650,321</u>	<u>4,036,823</u>
Attributable to:					
Equity shareholders of the Company		2,334,399	1,024,801	5,392,916	3,957,780
Non-controlling interests		147,365	26,240	257,405	79,043
Profit for the period		<u>2,481,764</u>	<u>1,051,041</u>	<u>5,650,321</u>	<u>4,036,823</u>
Earnings per share	8				
Basic and diluted earnings per share (RMB)		<u>0.44</u>	<u>0.19</u>	<u>1.02</u>	<u>0.75</u>

II. Consolidated statement of comprehensive income

for the three months and nine months ended 30 September 2013 and 2012 – unaudited
(Expressed in Renminbi Yuan)

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2013	2012	2013	2012
		RMB'000	RMB'000	RMB'000	RMB'000
Profit for the period		2,481,764	1,051,041	5,650,321	4,036,823
Other comprehensive income for the period (after tax and reclassification adjustments):					
Items that may be reclassified subsequently to profit or loss:					
Available-for-sale equity securities:					
net movement in fair value reserve	7	(156,923)	(313,588)	(1,016,045)	(694,054)
Exchange differences on translation of financial statements of overseas subsidiaries		(23,065)	—	(30,127)	—
Other comprehensive income for the period		(179,988)	(313,588)	(1,046,172)	(694,054)
Total comprehensive income for the period		<u>2,301,776</u>	<u>737,453</u>	<u>4,604,149</u>	<u>3,342,769</u>
Attributable to:					
Equity shareholders of the Company		2,161,033	711,213	4,355,391	3,263,726
Non-controlling interests		<u>140,743</u>	<u>26,240</u>	<u>248,758</u>	<u>79,043</u>
Total comprehensive income for the period		<u>2,301,776</u>	<u>737,453</u>	<u>4,604,149</u>	<u>3,342,769</u>

III. Consolidated balance sheet
at 30 September 2013 – unaudited
(Expressed in Renminbi Yuan)

	Note	At 30 September 2013 RMB'000	At 31 December 2012 RMB'000
Non-current assets			
Fixed assets			
Investment property	10	33,468	—
Other property, plant and equipment	11	55,199,339	52,607,328
Lease prepayments	12	3,516,679	3,291,595
		<u>58,749,486</u>	<u>55,898,923</u>
Intangible assets		1,949,065	1,901,155
Goodwill	9	299,366	212,389
Interest in associates	13	2,110,481	1,868,374
Interest in joint ventures		248,199	248,912
Loans and receivables	14	246,563	314,449
Available-for-sale equity securities	15	2,024,366	3,297,305
Deferred tax assets		396,192	160,441
		<u>66,023,718</u>	<u>63,901,948</u>
Current assets			
Inventories	16	3,679,685	4,038,538
Other investments	17	27,692	106,324
Trade receivables	18	5,904,937	8,389,079
Prepayments and other receivables	19	1,992,742	2,234,634
Amounts due from related parties	25(d)	404,323	522,330
Tax recoverable		52,148	96,965
Restricted cash deposits		119,507	108,731
Bank deposits with maturity over three months		3,121,900	14,000
Cash and cash equivalents	20	6,978,527	8,110,974
		<u>22,281,461</u>	<u>23,621,575</u>

	Note	At 30 September 2013 RMB'000	At 31 December 2012 RMB'000
Current liabilities			
Trade payables	22	3,020,336	5,133,852
Other payables and accruals		6,157,730	5,705,945
Bank loans and other borrowings	21	3,624,584	2,658,427
Amounts due to related parties	25(d)	437,270	270,906
Current portion of long-term payables		52,414	54,152
Obligations under finance leases		—	57,996
Current taxation		553,116	640,045
		<u>13,845,450</u>	<u>14,521,323</u>
Net current assets		<u>8,436,011</u>	<u>9,100,252</u>
Total assets less current liabilities		<u>74,459,729</u>	<u>73,002,200</u>
Non-current liabilities			
Bank loans and other borrowings	21	19,319,852	21,079,634
Long-term payables		353,149	354,936
Deferred income		411,686	417,667
Deferred tax liabilities		198,231	346,842
		<u>20,282,918</u>	<u>22,199,079</u>
NET ASSETS		<u>54,176,811</u>	<u>50,803,121</u>
CAPITAL AND RESERVES			
Share capital		5,299,303	5,299,303
Reserves		46,322,523	43,238,237
Total equity attributable to equity shareholders of the Company		51,621,826	48,537,540
Non-controlling interests		2,554,985	2,265,581
TOTAL EQUITY		<u>54,176,811</u>	<u>50,803,121</u>

IV. Consolidated statement of changes in equity
for the nine months ended 30 September 2013 – unaudited
(Expressed in Renminbi Yuan)

	Note	Attributable to equity shareholders of the Company									Total equity
		Share capital	Share premium	Capital reserve	Exchange reserve	Statutory surplus reserve	Fair value reserve	Retained profits	Total	Non-controlling interests	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2012		5,299,303	10,243,790	224,202	—	1,802,794	841,153	26,045,566	44,456,808	1,992,018	46,448,826
Changes in equity for the nine months ended 30 September 2012:											
Profit for the period		—	—	—	—	—	—	3,957,780	3,957,780	79,043	4,036,823
Other comprehensive income	7	—	—	—	—	—	(694,054)	—	(694,054)	—	(694,054)
Total comprehensive income		—	—	—	—	—	(694,054)	3,957,780	3,263,726	79,043	3,342,769
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		—	—	—	—	—	—	—	—	(67,677)	(67,677)
Dividends approved in respect of the previous year	23	—	—	—	—	—	—	(1,854,756)	(1,854,756)	—	(1,854,756)
Acquisition of subsidiaries with non-controlling interests		—	—	—	—	—	—	—	—	68,425	68,425
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders		—	—	—	—	—	—	—	—	94,386	94,386
Balance at 30 September 2012		5,299,303	10,243,790	224,202	—	1,802,794	147,099	28,148,590	45,865,778	2,166,195	48,031,973
Balance at 1 January 2013		5,299,303	10,243,790	224,202	(3,152)	2,649,654	448,690	29,675,053	48,537,540	2,265,581	50,803,121
Changes in equity for the nine months ended 30 September 2013:											
Profit for the period		—	—	—	—	—	—	5,392,916	5,392,916	257,405	5,650,321
Other comprehensive income	7	—	—	—	(21,480)	—	(1,016,045)	—	(1,037,525)	(8,647)	(1,046,172)
Total comprehensive income		—	—	—	(21,480)	—	(1,016,045)	5,392,916	4,355,391	248,758	4,604,149
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		—	—	—	—	—	—	—	—	(62,293)	(62,293)
Dividends approved in respect of the previous year	23	—	—	—	—	—	—	(1,324,826)	(1,324,826)	—	(1,324,826)
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders		—	—	—	—	—	—	—	—	156,660	156,660
Others		—	—	—	—	—	—	53,721	53,721	(53,721)	—
Balance at 30 September 2013		5,299,303	10,243,790	224,202	(24,632)	2,649,654	(567,355)	33,796,864	51,621,826	2,554,985	54,176,811

V. Condensed consolidated cash flow statement
for the nine months ended 30 September 2013 – unaudited
(Expressed in Renminbi Yuan)

	For the nine months ended 30 September	
	2013	2012
	RMB'000	RMB'000
Net cash generated from operating activities	9,369,627	7,621,542
Net cash used in investing activities	(8,418,956)	(6,407,307)
Net cash used in financing activities	<u>(2,063,831)</u>	<u>(2,359,668)</u>
Net decrease in cash and cash equivalents	(1,113,160)	(1,145,433)
Effect of foreign exchange rate changes	(19,287)	—
Cash and cash equivalents at 1 January	<u>8,110,974</u>	<u>7,747,188</u>
Cash and cash equivalents at 30 September	<u><u>6,978,527</u></u>	<u><u>6,601,755</u></u>

VI. Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Basis of preparation

This interim financial report of Anhui Conch Cement Company Limited (the “Company”) and its subsidiaries (the “Group”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 9 December 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2012 annual financial statements.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Group’s annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The Group’s annual financial statements for the year ended 31 December 2012 are available at the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their audit report dated 22 March 2013.

2 Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 11, *Joint arrangements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- *Annual Improvements to IFRSs 2009–2011 Cycle*
- Amendments to IFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*
- IAS 40, *Investment property*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements relating to the preparation of consolidated financial statements* and SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

IFRS 11, Joint arrangements

IFRS 11, which replaces IAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances

relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under IFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under IFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of IFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting IFRS 12.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 24. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to IFRSs 2009–2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group, and the Group has continued to disclose segment assets and segment liabilities in note 3.

Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32. The Group has provided the relevant disclosures in note 18.

IAS 40, Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Any gain or loss arising from the retirement or disposal of an investment property is recognised in profit or loss.

Depreciation is calculated to write off the cost of investment property, less their estimated residual value, using the straight-line method over 30 years.

When the group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

3 Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments based on the region in which the Group's business operates: East China, Central China, South China, West China and Overseas. All segments are primarily engaged in manufacture and sale of clinkers and cement products. No operating segments have been aggregated to form the reportable segments.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets in the financial statements prepared in accordance with China Accounting Standards for Business Enterprises (2006) ("PRC accounting standards"). Segment liabilities include all liabilities in the financial statements prepared in accordance with PRC accounting standards.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments in accordance with PRC accounting standards.

The measure used for reporting segment profit is profit before taxation in accordance with PRC accounting standards.

In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue (including inter segment revenue), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment revenue are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

For the three months ended 30 September 2013

	East China	Central China	South China	West China	Overseas	Subtotal	Reconciling items (note b)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	5,066,429	3,454,839	2,270,102	2,629,558	—	13,420,928	—	13,420,928
Inter-segment revenue	784,669	2,794,721	483,725	44,824	—	4,107,939	(4,107,939)	—
Reportable segment revenue	5,851,098	6,249,560	2,753,827	2,674,382	—	17,528,867	(4,107,939)	13,420,928
Reportable segment profit/(loss)	316,552	1,865,365	505,605	590,891	(507)	3,277,906	(36,643)	3,241,263
Interest income	3,246	152,651	1,288	2,508	4	159,697	(111,869)	47,828
Interest expense	48,497	235,075	18,878	58,799	—	361,249	(110,043)	251,206
Depreciation and amortisation for the period	111,529	420,701	136,373	220,875	513	889,991	—	889,991
Additions to non-current segment assets during the period	282,417	288,427	253,135	1,534,065	85,235	2,443,279	(1,826)	2,441,453

For the three months ended 30 September 2012

	East China	Central China	South China	West China	Overseas	Subtotal	Reconciling items (note b)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	4,920,190	2,784,372	1,716,651	2,266,522	—	11,687,735	—	11,687,735
Inter-segment revenue	341,832	2,254,012	366,794	42,257	—	3,004,895	(3,004,895)	—
Reportable segment revenue	5,262,022	5,038,384	2,083,445	2,308,779	—	14,692,630	(3,004,895)	11,687,735
Reportable segment profit/(loss)	36,260	857,931	267,479	262,742	(3,025)	1,421,387	(28,171)	1,393,216
Interest income	2,281	203,308	969	1,605	1	208,164	(190,868)	17,296
Interest expense	37,636	340,866	32,964	43,604	—	455,070	(172,775)	282,295
Depreciation and amortisation for the period	92,895	434,812	137,909	187,085	149	852,850	—	852,850
Additions to non-current segment assets during the period	1,140	1,208,151	234,535	614,885	8,860	2,067,571	(18,093)	2,049,478

APPENDIX II

CONCH CEMENT INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2013

	East China	Central China	South China	West China	Overseas	Subtotal	Reconciling items (note b)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	11,712,394	12,136,284	6,366,692	6,792,646	—	37,008,016	—	37,008,016
Inter-segment revenue	1,363,949	7,058,473	516,185	55,792	—	8,994,399	(8,994,399)	—
Reportable segment revenue	13,076,343	19,194,757	6,882,877	6,848,438	—	46,002,415	(8,994,399)	37,008,016
Reportable segment profit/(loss)	707,281	6,041,469	1,249,757	1,201,158	(1,879)	9,197,786	(1,875,952)	7,321,834
Interest income	7,157	407,833	2,043	5,985	5	423,023	(313,138)	109,885
Interest expense	116,417	743,305	86,970	176,606	—	1,123,298	(277,694)	845,604
Depreciation and amortisation for the period	304,873	1,295,817	405,159	634,211	1,619	2,641,679	—	2,641,679
Impairment of plants and equipment	—	4,598	—	156,089	—	160,687	—	160,687
Additions to non-current segment assets during the period	458,342	936,279	667,033	3,070,505	346,864	5,479,023	(35,444)	5,443,579
At 30 September 2013								
Reportable segment assets (including investment in associates and joint ventures)	12,715,052	63,992,421	14,200,289	22,416,978	508,555	113,833,295	(25,528,116)	88,305,179
Reportable segment liabilities	8,861,746	17,176,769	6,350,257	13,661,133	376,777	46,426,682	(12,298,314)	34,128,368

For the nine months ended 30 September 2012

	East China	Central China	South China	West China	Overseas	Subtotal	Reconciling items (note b)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	11,184,176	10,233,251	5,611,056	5,218,407	—	32,246,890	—	32,246,890
Inter-segment revenue	926,287	6,549,043	417,728	48,660	—	7,941,718	(7,941,718)	—
Reportable segment revenue	12,110,463	16,782,294	6,028,784	5,267,067	—	40,188,608	(7,941,718)	32,246,890
Reportable segment profit/(loss)	545,473	6,062,284	896,889	467,546	(5,779)	7,966,413	(2,909,221)	5,057,192
Interest income	7,300	390,738	3,315	8,068	13	409,434	(306,608)	102,826
Interest expense	122,760	739,101	100,240	140,479	—	1,102,580	(288,515)	814,065
Depreciation and amortisation for the period	275,778	1,219,686	379,524	523,089	162	2,398,239	—	2,398,239
Additions to non-current segment assets during the period	372,589	2,946,994	1,212,404	2,588,350	17,844	7,138,181	(18,093)	7,120,088
At 30 September 2012								
Reportable segment assets (including investment in associates and joint ventures)	10,669,257	72,824,447	11,543,664	19,603,989	293,008	114,934,365	(27,410,842)	87,523,523
Reportable segment liabilities	6,226,392	29,982,356	3,364,410	12,108,718	128,633	51,810,509	(15,090,107)	36,720,402

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	For the three months ended 30 September		For the nine months ended 30 September	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue				
Elimination of inter-segment revenue	(4,107,939)	(3,004,895)	(8,994,399)	(7,941,718)
Profit				
Elimination of inter-segment profits	(45,869)	(33,769)	(1,904,927)	(2,940,245)
Differences between PRC accounting standards and IFRS*	9,226	5,598	28,975	31,024
	<u>(36,643)</u>	<u>(28,171)</u>	<u>(1,875,952)</u>	<u>(2,909,221)</u>
			At	At
			30 September	31 December
			2013	2012
			RMB'000	RMB'000
Assets				
Elimination of inter-segment balances			<u>(25,528,116)</u>	<u>(27,410,842)</u>
Liabilities				
Elimination of inter-segment balances			(12,662,243)	(15,463,075)
Differences between PRC accounting standards and IFRS*			<u>363,929</u>	<u>372,968</u>
			<u>(12,298,314)</u>	<u>(15,090,107)</u>

* Differences between PRC accounting standards and IFRS:

The difference mainly arises from the deferred income in respect of certain government grants recognised under IFRS.

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, lease prepayments, intangible assets, goodwill, interests in associates and joint venture entities ("specified non-current assets"). The geographical location of customers is based on the location, at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of lease prepayments, intangible assets and goodwill, and the location of operations, in the case of interests in associates and joint venture entities.

	For the three months ended 30 September		For the nine months ended 30 September	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers				
The People's Republic of China ("the PRC") . . .	13,005,962	11,285,543	35,910,281	31,189,103
Others	414,966	402,192	1,097,735	1,057,787
Total	<u>13,420,928</u>	<u>11,687,735</u>	<u>37,008,016</u>	<u>32,246,890</u>

	As at 30 September 2013	As at 31 December 2012
	RMB'000	RMB'000
Specified non-current assets		
The People's Republic of China ("the PRC")	62,977,291	60,488,688
Others	417,263	70,399
Total	<u>63,394,554</u>	<u>60,559,087</u>

4 Other revenue and net income

(a) Other revenue

	For the three months ended 30 September		For the nine months ended 30 September	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Subsidy income	250,537	134,828	666,963	649,386
Interest income	47,828	17,296	109,885	102,826
Dividend income from listed securities	94	3,940	22,848	4,421
	<u>298,459</u>	<u>156,064</u>	<u>799,696</u>	<u>756,633</u>

(b) Other net income

	For the three months ended 30 September		For the nine months ended 30 September	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Net realised and unrealised (losses)/gains on trading securities	(2,171)	(5,314)	7,996	(12,345)
Change in fair value of derivatives	(204)	2,496	2,948	178
Net (losses)/gain on disposal of fixed assets	(1,358)	2,057	4,603	10,326
Exchange (losses)/gains	(656)	(2,508)	2,175	(4,470)
Others	5,985	17,633	9,379	22,553
	<u>1,596</u>	<u>14,364</u>	<u>27,101</u>	<u>16,242</u>

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	For the three months ended 30 September		For the nine months ended 30 September	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Finance charge on obligations under finance leases	828	1,072	2,160	3,615
Interest on bank loans and other borrowings	273,753	288,376	893,876	887,017
Less: Interest expense capitalised into construction-in-progress	(23,375)	(7,153)	(50,432)	(76,567)
	<u>251,206</u>	<u>282,295</u>	<u>845,604</u>	<u>814,065</u>

(b) Other items:

	For the three months ended 30 September		For the nine months ended 30 September	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation	842,864	814,602	2,510,917	2,284,122
Amortisation of interests in leasehold land held for own use under operating leases.	26,585	21,005	65,690	55,707
Other amortisation	20,542	17,243	65,072	58,410
Impairment loss on plant and equipment (note 11(b))	—	—	160,687	—
Staff costs	<u>681,351</u>	<u>594,863</u>	<u>1,871,173</u>	<u>1,644,962</u>

6 Income tax

	For the three months ended 30 September		For the nine months ended 30 September	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax-PRC Corporate Income Tax				
Provision for the period.	735,501	319,155	1,717,194	1,039,751
Deferred tax				
Origination and reversal of temporary differences	<u>23,998</u>	<u>23,020</u>	<u>(45,681)</u>	<u>(19,382)</u>
	<u>759,499</u>	<u>342,175</u>	<u>1,671,513</u>	<u>1,020,369</u>

No provision for Hong Kong Profits Tax was made for the nine months ended 30 September 2013 and 2012 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

Individual companies within the Group are generally subject to Corporate Income Tax at 25% on taxable income determined according to the relevant income tax rules and regulations of the PRC, except for:

Beiliu Conch Cement Co., Ltd. 北流海螺水泥有限責任公司 (Note i)	15%
Xingye Kuiyang Conch Cement Co., Ltd. 興業葵陽海螺水泥有限責任公司 (Note i)	15%
Fusui Xinning Conch Cement Co., Ltd. 扶綏新寧海螺水泥有限責任公司 (Note i)	15%
Xing'an Conch Cement Co., Ltd. 興安海螺水泥有限責任公司 (Note i)	15%
Pingliang Conch Cement Co., Ltd. 平涼海螺水泥有限責任公司 (Note i)	15%
Dazhou Conch Cement Co., Ltd. 達州海螺水泥有限責任公司 (Note i)	15%
Guangyuan Conch Cement Co., Ltd. 廣元海螺水泥有限責任公司 (Note i)	15%
Chongqing Conch Cement Co., Ltd. 重慶海螺水泥有限責任公司 (Note i)	15%
Liquan Conch Cement Co., Ltd. 禮泉海螺水泥有限責任公司 (Note i)	15%
Guigyang Conch Panjiang Cement Co., Ltd. 貴陽海螺盤江水泥有限責任公司 (Note i)	15%
Guiding Conch Panjiang Cement Co., Ltd. 貴定海螺盤江水泥有限責任公司 (Note i)	15%
Zunyi Conch Panjiang Cement Co., Ltd. 遵義海螺盤江水泥有限責任公司 (Note i)	15%
Qianyang Conch Cement Co., Ltd. ("Qianyang Conch") 千陽海螺水泥有限責任公司 (Note i)	15%
Baoji Zhongxi Fenghuangshan Cement Co., Ltd. ("Fenghuangshan") 寶雞眾喜鳳凰山水泥有限公司 (Note i)	15%
Baoji Zhongxi Jinlinghe Cement Co., Ltd. ("Jinlinghe") 寶雞市眾喜金陵河水泥有限公司 (Note i)	15%
Guangxi Sihegongmao Co., Ltd. ("Sihegongmao") 廣西四合工貿有限責任公司 (Note i)	15%
Longling Conch Cement Co., Ltd. ("Longling Conch") 龍陵海螺水泥有限責任公司 (Note i)	15%
Hami Hongyi Construction Co., Ltd. ("Hami Construction") 哈密弘毅建材有限責任公司 (Note ii)	0%

Notes:

- (i) Pursuant to Notice No.12 issued by State Administration of Taxation on 6 April 2012 and relevant local tax authorities' notices, the above 17 companies are entitled to 15% preferential income tax rate as qualifying companies located in western areas in the PRC. Five of the above companies, Qianyang Conch, Fenghuangshan, Jinlinghe, Sihegongmao and Longling Conch are entitled to 15% preferential income tax rate, effective from 1 January 2012 to 31 December 2020. The remaining 12 companies are entitled to 15% preferential income tax rate, effective from 1 January 2011 to 31 December 2020.
- (ii) In 2012, Hami Construction was recognised by the local tax authorities as enterprise located in depressed regions with operation in encouraged industries as defined by relevant authorities. According to Cai Shui [2011] No. 53 jointly issued by the Ministry of Finance and the State Administration of Taxation, Hami Construction is entitled to a tax holiday of a tax-free period for the first and second years and a 50% reduction in income tax rate for the third to fifth years, starting from the first year generating revenue. In accordance with local tax authority's notice, the applicable income tax rates for Hami Construction are 0% in 2012 and 2013, and 12.5% from 2014 to 2016.

7 Other comprehensive income

	For the three months ended 30 September		For the nine months ended 30 September	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale equity securities:				
Changes in fair value recognised during the period (after tax)	(156,923)	(313,588)	(1,016,045)	(694,054)
Net movement in the fair value reserve during the period recognised in other comprehensive income	<u>(156,923)</u>	<u>(313,588)</u>	<u>(1,016,045)</u>	<u>(694,054)</u>
Exchange differences:				
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(23,065)</u>	<u>—</u>	<u>(30,127)</u>	<u>—</u>
	<u>(179,988)</u>	<u>(313,588)</u>	<u>(1,046,172)</u>	<u>(694,054)</u>

8 Earnings per share**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the three months ended 30 September 2013 of RMB2,334,399,000 (three months ended 30 September 2012: RMB1,024,801,000) and the weighted average number of shares in issue during the three months ended 30 September 2013 of 5,299,303,000 (three months ended 30 September 2012: 5,299,303,000).

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the nine months ended 30 September 2013 of RMB5,392,916,000 (nine months ended 30 September 2012: RMB3,957,780,000) and the weighted average number of shares in issue during the nine months ended 30 September 2013 of 5,299,303,000 (nine months ended 30 September 2012: 5,299,303,000).

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the three months ended and the nine months ended 30 September 2013 and 2012.

9 Business combinations

Goodwill

	At 30 September 2013	At 31 December 2012
	RMB'000	RMB'000
Carrying amount:		
At 1 January	212,389	79,693
Acquisitions through business combinations	86,977	132,696
At the end of period/year	<u>299,366</u>	<u>212,389</u>

On 26 August 2013, the Group's subsidiary, Linxia Conch Cement Co., Ltd, entered into an agreement with Ganxu Jinde Taizishan Building and Material Co., Ltd. for the acquisition of a group of assets for an aggregated consideration of RMB547,661,000. The group of assets acquired constituted a business and therefore is accounted for as business combination in accordance with IFRS 3, "Business Combination".

During the period from the acquisition date to 30 September 2013, the acquired business contributed an aggregate revenue of RMB14,491,000 and an aggregate profit of RMB2,339,000 to the Group's results.

Summary of the assets acquired in the above acquisition, and the goodwill arising, is as follows:

Fair value of identifiable assets acquired:

	RMB'000
Property, plant and equipment	387,438
Lease prepayments	48,872
Intangible assets	14,792
Inventories	9,582
Total identifiable assets	<u>460,684</u>

Goodwill has been recognised as a result of the above acquisition as follows:

	RMB'000
Total consideration transferred	547,661
Fair value of identifiable assets	<u>(460,684)</u>
Goodwill arising from the above business combination	<u>86,977</u>

The goodwill arose from the acquisition represents the control premium paid, the benefits of expected synergies to be achieved from integrating the assets into the Group's existing business, future market development and the acquired workforce.

10 Investment property

During the nine months ended 30 September 2013, the Group leased out a property with carrying value of RMB33,468,000 under operating lease and classified the property as an investment property accordingly.

As set out in note 2, the Group has applied the cost model for its investment property. The investment property is valued by an independent valuer to be RMB36,250,000 as at 30 September 2013 using discounted cash flow techniques based on contracted and expected cash inflows and outflows arising from the investment property.

11 Other property, plant and equipment

(a) Acquisitions and disposals

During the nine months ended 30 September 2013, the Group acquired property, plant and equipment with a cost of RMB4,668,020,000 (nine months ended 30 September 2012: RMB5,419,946,000).

Assets with a carrying amount of RMB25,945,000 were disposed of during the nine months ended 30 September 2013 (nine months ended 30 September 2012: RMB9,328,000), resulting in a net gain on disposal of RMB4,603,000 (nine months ended 30 September 2012: a net gain of RMB10,326,000).

(b) Impairment losses

According to the policy of elimination of backward production capacity issued by Ministry of Industry and Information Technology, as well as the requirements of cement production line renovation project, the Group provided impairment for the plants and machines scheduled to be eliminated by the end of 2014. As at 30 September 2013, management assessed the recoverable amounts of these plants and machines and as a result the carrying amount of the plants and machines was written down by RMB160,687,000 (included in “Administrative expenses”). The estimates of recoverable amount of these plants and machines were based on these assets’ fair values less costs of disposal, and the fair value was determined by reference to the public bid from third parties for such assets.

(c) Capital commitments outstanding not provided for in the interim financial report

	At 30 September 2013	At 31 December 2012
	RMB'000	RMB'000
Contracted for	3,993,088	2,205,920
Authorised but not contracted for	6,024,348	5,707,262
	<u>10,017,436</u>	<u>7,913,182</u>

12 Lease prepayments

Lease prepayments represent interest in leasehold land held for own use under operating leases.

During the nine months ended 30 September 2013, the Group acquired interests in leasehold land held for own use under operating leases with a cost of RMB291,673,000 (nine months ended 30 September 2012: RMB492,973,000).

13 Interests in associates

On 27 May 2013, Xinjiang Qingsong Building Materials and Chemicals (Group) Co., Ltd. (“Qingsong Building Materials and Chemicals”) distributed stock dividend of 10 shares for every 10 shares. After this distribution, the Group holds 276,826,946 shares in Qingsong Building

Materials and Chemicals. In June and July 2013, the Group additionally acquired 67,893,443 shares of Qingsong Building Materials and Chemicals at a price of RMB3.83 per share totalling RMB259,776,856 through the Shanghai Stock Exchange (“SSE”). As at 30 September 2013, the Group holds a total of 344,720,389 shares and 25.00% equity interest in Qingsong Building Materials and Chemicals.

14 Loans and receivables

	At 30 September 2013	At 31 December 2012
	RMB'000	RMB'000
Loans and receivables	490,572	535,134
Less: Current portion of non-current loans and receivables (note 19) .	(244,009)	(220,685)
	<u>246,563</u>	<u>314,449</u>

Non-current loans and receivables represent advances made to local government authorities.

15 Available-for-sale equity securities

	At 30 September 2013	At 31 December 2012
	RMB'000	RMB'000
Available-for-sale equity securities — Listed in the PRC	<u>2,024,366</u>	<u>3,297,305</u>

All available-for-sale equity securities held by the Group are listed either on the SSE or the Shenzhen Stock Exchange. The fair values of these investments are measured with reference to the respective quoted market prices at the end of each reporting period.

16 Inventories

	At 30 September 2013	At 31 December 2012
	RMB'000	RMB'000
Raw materials	1,549,456	1,674,245
Work in progress	193,792	196,537
Finished goods	1,533,705	1,766,104
Spare parts	402,732	401,652
	<u>3,679,685</u>	<u>4,038,538</u>

17 Other investments

	At 30 September 2013	At 31 December 2012
	RMB'000	RMB'000
Listed equity securities at fair value — Listed in the PRC	<u>27,692</u>	<u>106,324</u>

All trading securities held by the Group are listed on the SSE. The fair values of these investments are measured with reference to the respective quoted market prices at the end of each reporting period.

18 Trade receivables

Included in trade receivables are trade debtors and notes receivable (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 30 September 2013	At 31 December 2012
	RMB'000	RMB'000
Within 1 year (inclusive)	<u>5,904,937</u>	<u>8,389,079</u>

Trade debtors are due within 30–60 days from the date of billing, except for retention money in respect of certain sales contracts which is due upon the expiry of the retention period. Notes receivable are due within 6 months from the date of issuance. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted.

Prior to 1 January 2013, the undue notes receivable endorsed to suppliers to settle trade payables by the Group were not derecognised as the Group's management considered that the Group retained risk and rewards of ownership based on assessment of qualitative and quantitative information of the issuance banks of these acceptance notes. In 2013, the Group's management evaluated the risk profile of the undue notes receivable endorsed to suppliers on a continuous basis and believed that following the continuous improvement of both qualitative and quantitative benchmarks of these issuance banks in assessing their credit and interest risk, the risk and rewards of ownership of these undue notes receivable retained by the Group are immaterial. As at 30 September 2013, the Group endorsed the undue notes receivable of RMB2,134 million to its suppliers to settle trade payables of the same amount and derecognised these notes receivables and the payables to suppliers in their entirety as the risks and rewards of ownership of these undue notes have been substantially transferred. The Group's continuous involvement in these undue notes receivable is limited to when the issuance banks of these undue notes are unable to settle the amounts to the holders of these notes. The maximum exposure to loss from its continuous involvement in the derecognised undue notes receivables represents the amount of notes receivable which the Group endorsed to its suppliers. As at 30 September 2013, the undue notes receivable of RMB734 million endorsed to its suppliers to settle the trade payables were not derecognised because the issuance banks of these undue notes receivable were certain smaller size city level commercial banks in the PRC and management believed that the credit risk of ownership were not substantially transferred. The associated trade payables were also not derecognised. The carrying amounts of these undue notes receivable and trade payables approximate its fair values.

All of the above undue notes receivable were due within 6 months.

19 Prepayments and other receivables

	At 30 September 2013	At 31 December 2012
	RMB'000	RMB'000
Purchase prepayments	612,126	667,913
Current portion of loans and receivables (note 14)	244,009	220,685
Loans to related parties	27,960	223,250
Value-added tax recoverable	892,855	921,210
Interest receivable	20,227	1,652
Forward exchange contracts	4,983	2,034
Other receivables	190,582	197,890
	<u>1,992,742</u>	<u>2,234,634</u>

All of the prepayments and other receivables are expected to be recovered within one year.

20 Cash and cash equivalents

	At 30 September 2013	At 31 December 2012
	RMB'000	RMB'000
Deposits with banks within 3 months	1,127,665	1,630,000
Cash at bank and in hand	5,850,862	6,480,974
	<u>6,978,527</u>	<u>8,110,974</u>

As at 30 September 2013, the Group did not have cash at banks that are pledged as security (31 December 2012: Nil).

21 Bank loans and other borrowings

Details of bank loans and other borrowings are as follows:

	Note	At 30 September 2013	At 31 December 2012
		RMB'000	RMB'000
Non-current bank loans and other borrowings			
Bank loans			
— Unsecured		3,175,116	2,913,115
Loans from Anhui Conch Holdings Co., Ltd. ("Conch Holdings")			
— Unsecured		—	2,020,000
Unsecured debentures	(i)	15,472,919	15,467,428
Other borrowings			
— Secured	(ii)	650,000	650,000
— Unsecured	(iii)	21,817	29,091
		<u>19,319,852</u>	<u>21,079,634</u>

- (i) In May 2011, the Company issued corporate bonds with an aggregate principal amount of RMB9,500,000,000, of which RMB7,000,000,000 with a maturity period of 5 years (“5-year bond”) and RMB2,500,000,000 with a maturity period of 7 years (“7-year bond”). The 5-year bond and the 7-year bond carry fixed annual interest rate of 5.08% and 5.20% respectively, which will be paid annually. The principal of the 5-year bond is fully repayable on 23 May 2016 and the 7-year bond is fully repayable on 23 May 2018.

In November 2012, the Company issued corporate bonds with an aggregate principal amount of RMB6,000,000,000 of which RMB2,500,000,000 with a maturity period of 5 years (“5-year bond”) and RMB3,500,000,000 with a maturity period of 10 years (“10-year bond”). The 5-year bond and the 10-year bond carry fixed annual interest rate of 4.89% and 5.10% respectively, which will be paid annually. The principal of the 5-year bond is fully repayable on 7 November 2017 and the 10-year bond is fully repayable on 7 November 2022.

Conch Holdings provides unconditional and irrevocable joint liability guarantee for the above bonds over the respective maturity periods.

- (ii) Other secured borrowings of the Group and the Company are provided by the International Finance Corporation (“IFC”). The loan bears interest at a rate of 5.32% (2012: 5.32%) per annum and is repayable in September 2015. At 30 September 2013, the loan was secured by property, plant and equipment of the Group with carrying amount of RMB349,462,000 (2012: RMB392,866,000) and leasehold land held for own use under operating leases of the Group with carrying amount of RMB182,614,000 (2012: RMB173,985,000). The loan is subject to various financial covenants that are reported to IFC on a yearly basis.
- (iii) Other unsecured non-current borrowings were national debt loan provided by the Anhui Finance Bureau. The loan bears interest at a rate of 3.36% (2012: 3.36%) per annum and is repayable in September 2017.

	<u>Note</u>	<u>At 30 September 2013</u> RMB'000	<u>At 31 December 2012</u> RMB'000
Current bank loans and other borrowings			
Bank loans			
— Unsecured		1,597,311	2,651,154
Loans from Conch Holdings			
— Unsecured	(i)	2,020,000	—
Other borrowings			
— Unsecured	(ii)	<u>7,273</u>	<u>7,273</u>
		<u>3,624,584</u>	<u>2,658,427</u>

- (i) Loans from Conch Holdings bear interest at fixed rates of 4.69% to 5.78% (2012: 4.69% to 5.78%) per annum. The loans are unsecured and repayable on 27 March and 31 May 2014 respectively.
- (ii) Other unsecured current borrowings of the Group were national debt loan provided by the Anhui Finance Bureau of RMB7,273,000 (2012: RMB7,273,000). The loan bears interest at a rate of 3.36% (2012: 3.36%) per annum.

At 30 September 2013 and 31 December 2012, the bank loans were repayable as follows:

	At 30 September 2013	At 31 December 2012
	RMB'000	RMB'000
Within 1 year or on demand	1,597,311	2,651,154
After 1 year but within 2 years.	1,283,850	941,600
After 2 years but within 5 years.	1,361,266	1,671,515
After 5 years	530,000	300,000
Total non-current bank loans.	<u>3,175,116</u>	<u>2,913,115</u>
	<u>4,772,427</u>	<u>5,564,269</u>

22 Trade payables

Included in trade payables are trade creditors and notes payable with the following ageing analysis as of the balance sheet date:

	At 30 September 2013	At 31 December 2012
	RMB'000	RMB'000
Within 1 year (inclusive)	2,989,605	5,064,731
Between 1 and 2 years (inclusive).	27,542	64,220
Between 2 and 3 years (inclusive).	881	2,298
More than 3 years	2,308	2,603
	<u>3,020,336</u>	<u>5,133,852</u>

23 Dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 28 May 2013, a final dividend of RMB0.25 per ordinary share totaling approximately RMB1,324,826,000 (nine months ended 30 September 2012: RMB1,854,756,000) in respect of the year end 31 December 2012 was declared and paid on 20 June 2013.

The board of directors does not recommend the payment of an interim dividend for the nine months ended 30 September 2013 (nine months ended 30 September 2012: Nil).

24 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

	Fair value measurements as at 30 September 2013 using			
	Fair value at 30 September 2013	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets:				
Prepayments and other receivables	4,983	—	4,983	—
Other investments	27,692	27,692	—	—
Available-for-sale equity securities:				
— Listed	2,024,366	2,024,366	—	—
	<u>2,057,041</u>	<u>2,052,058</u>	<u>4,983</u>	<u>—</u>

	Fair value measurements as at 31 December 2012 using			
	Fair value at 31 December 2012	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets:				
Prepayments and other receivables	2,034	—	2,034	—
Other investments	106,324	106,324	—	—
Available-for-sale equity securities:				
— Listed	3,297,305	3,297,305	—	—
	<u>3,405,663</u>	<u>3,403,629</u>	<u>2,034</u>	<u>—</u>

During the nine months ended 30 September 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2012: Nil).

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The prepayments and other receivables in Level 2 are the forward exchange contracts. The fair value of forward exchange contracts is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 September 2013 and 31 December 2012 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	<u>At 30 September 2013</u>		<u>At 31 December 2012</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Current bank loans and other borrowings	3,624,584	3,622,817	2,658,427	2,644,473
Long-term payables	353,149	343,644	354,936	342,000
Non-current bank loans and other borrowings	3,846,933	3,767,467	5,612,206	5,553,355
Unsecured debentures	<u>15,472,919</u>	<u>15,440,075</u>	<u>15,467,428</u>	<u>15,714,235</u>
	<u>23,297,585</u>	<u>23,174,003</u>	<u>24,092,997</u>	<u>24,254,063</u>

25 Material related party transactions**(a) Related parties information**

<u>Name of related party</u>	<u>Nature of relationship</u>
Conch Holdings 安徽海螺集團有限責任公司	Substantial shareholder of the Company
Wuhu Conch Venture Enterprise Limited ("Conch Venture Wuhu") 蕪湖海創實業有限責任公司	Shareholder of Conch Holdings, some directors of the Company are also directors and equity holders of Conch Venture Wuhu
Wuhu Conch Profiles and science Co., Ltd. ("Conch Profiles") 蕪湖海螺型材科技股份有限公司	Associate of Conch Holdings
Anhui Conch Venture Investment Co., Ltd. ("CV Investment") 安徽海螺創業投資有限責任公司	Fellow subsidiary of Conch Venture Wuhu and under common control of same shareholders
Anhui Conch Building Materials Design and Research Institute ("Conch Design Institute") 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Yingde Conch Profiles Co., Ltd. ("Yingde Profiles") 英德海螺型材有限責任公司	Subsidiary of Conch Profiles
Wuhu Conch New Materials Co., Ltd. ("Conch New Materials") 蕪湖海螺新材料有限公司	Subsidiary of Conch Profiles
Anhui Conch Information Technology Engineering Co., Ltd. ("Conch IT Engineering") 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Design Institute

Name of related party	Nature of relationship
Anhui King Bridge Cement Co., Ltd. ("King Bridge Cement") 安徽朱家橋水泥有限公司	Associate of the Company
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. ("CKEM") 安徽海螺川崎裝備製造有限公司	Joint venture of the Company
Wuhu Sanshan Port Co., Ltd. ("Sanshan Port") 蕪湖三山港務有限公司	Subsidiary of CV Investment
Wuhu Conch Venture Property Investment Co., Ltd. ("Conch Venture Property") 蕪湖海創置業有限責任公司	Subsidiary of CV Investment
Anhui Conch Kawasaki Engineering Company Limited ("CK Engineering") 安徽海螺川崎工程有限公司	Subsidiary of Conch Venture Wuhu
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("CK Equipment") 安徽海螺川崎節能設備製造有限公司	Subsidiary of Conch Venture Wuhu
Yingde Dragon Mountain Cement Co., Ltd. ("Dragon Mountain") 英德龍山水泥有限責任公司	A director of the Company has been a director of Dragon Mountain in the past twelve months
Conch Property Management 蕪湖海螺物業管理有限公司	Subsidiary of CV Investment
Yangzhou Haichang Port Industrial Co., Ltd. ("HC Port") 揚州海昌港務實業有限責任公司	Subsidiary of Conch Venture Wuhu
Chongqing Gaolin Building Material Co., Ltd. ("Gaolin Building Material") 重慶高林建材有限公司	In trust of a subsidiary of the Company
Debao Haibao Cement Co., Ltd. ("Haibao Cement") 德保縣海寶水泥有限責任公司	In trust of a subsidiary of the Company
Jiande Chengli Building Material Co., Ltd. ("Chengli Building Material") 建德市成利建材有限公司	In trust of a subsidiary of the Company

(b) Transactions between the Group and related companies

The Group has entered into the following material related party transactions:

(i) Transactions with Conch Holdings

	For the nine months ended 30 September	
	2013	2012
	RMB'000	RMB'000
Receiving services	2,216	3,432
Guarantee provided by Conch Holdings	16,077,000	12,208,840
Provision of services and sales of goods	1,679	65
Loans from Conch Holdings	350,000	900,000
Loans repaid to Conch Holdings	350,000	1,280,000
Interests on loans	81,043	135,641
	<u>81,043</u>	<u>135,641</u>

(ii) Transactions with other related parties

	For the nine months ended 30 September	
	2013	2012
	RMB'000	RMB'000
Sales of goods	125,466	90,348
Provision of services	12,463	25,242
Purchase of fixed assets	572,015	615,897
Purchase of materials	317,739	399,435
Receiving services	191,112	76,734
Management fee	777	452
Loans to related parties	10,210	219,750
Loans repaid from related parties	205,500	280,000
Interest on loans	5,067	4,854
	<u>5,067</u>	<u>4,854</u>

(c) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	For the nine months ended 30 September	
	2013	2012
	RMB'000	RMB'000
Short-term employees benefits	1,239	1,090
Post-employment benefits	221	180
	<u>1,460</u>	<u>1,270</u>
Directors and supervisors	483	409
Senior management	977	861
	<u>1,460</u>	<u>1,270</u>

(d) Amounts due from/to related parties*(i) Due from related parties*

	At 30 September 2013	At 31 December 2012
	RMB'000	RMB'000
CK Engineering	146,165	202,126
CKEM	150,395	219,469
CK Equipment	53,107	81,077
Dragon Mountain	21,571	2,175
Other related parties	33,085	17,483
	<u>404,323</u>	<u>522,330</u>

(ii) Due to related parties

	At 30 September 2013	At 31 December 2012
	RMB'000	RMB'000
CK Engineering	63,158	40,495
CKEM	84,718	112,690
CK Equipment	24,748	91,623
Conch Venture Property	37,926	—
Conch Design Institute	164,837	2,272
Conch Holdings	41,840	5,428
Other related parties	20,043	18,398
	<u>437,270</u>	<u>270,906</u>

26 Contingent liabilities

At 30 September 2013, outstanding letters of credit issued by the Group amounted to approximately RMB88,746,000 (31 December 2012: RMB105,916,000).

The following information does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets attributable to the equity holders of the Company has been prepared in accordance with Rule 4.29 of the Listing Rules and 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 June 30, 2013. This unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position had the Global Offering been completed as of June 30, 2013 or any future date.

	Combined net tangible assets attributable to equity holders of the Company as of June 30, 2013 ⁽¹⁾	Estimated net proceeds from issue of Offer Shares ⁽²⁾⁽⁴⁾	Unaudited pro forma adjusted combined net tangible assets attributable to equity holders of the Company ⁽³⁾	Unaudited pro forma adjusted combined net tangible asset per Share ⁽³⁾⁽⁴⁾	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB)	(HK\$)
Based on an Offer Price of HK\$11.36 per Share	8,793,534	2,292,519	11,086,053	6.28	7.88
Based on an Offer Price of HK\$13.56 per Share	8,793,534	2,743,933	11,537,467	6.54	8.21

Notes:

- (1) The combined net tangible assets attributable to equity holders of the Company as of June 30, 2013 is based on the combined net assets attributable to the equity holders of the Company of RMB8,794.9 million after deduction of the intangible assets of RMB1.4 million as of the date as shown in the Accountants' Report set out in Appendix I to this Prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Prices of HK\$11.36 and HK\$13.56 per Share, respectively, being the lower end price and higher end price of the stated Offer Price range, after deduction of the underwriting fees and other related expenses payable by the Company of RMB105.6 million and RMB118.6 million respectively. No account has been taken of the Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option or any shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is based on a total of 1,765,000,000 shares including the expected shares to be in issue of 265,000,000 following the completion of the Global Offering. The unaudited pro forma adjusted combined net tangible assets per Share is converted into Hong Kong dollars at the People's Bank of China rate of RMB0.7966 to HK\$1.0000 prevailing on June 30, 2013.
- (4) The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into RMB at an exchange rate of RMB0.7966 to HK\$1.0000, the People's Bank of China rate prevailing on June 30, 2013. No representation is made that the HK\$ amounts have been, could have been or may be converted into RMB, or vice versa, at that rate.
- (5) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to June 30, 2013.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in connection with the unaudited pro forma financial information of the Group.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

December 9, 2013

TO THE DIRECTORS OF CHINA CONCH VENTURE HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Conch Venture Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at June 30, 2013 and related notes as set out in Part A of Appendix III to the prospectus dated December 9, 2013 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix III to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at June 30, 2013 as if the Global Offering had taken place at June 30, 2013. As part of this process, information about the Group's financial position as at June 30, 2013 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at June 30, 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgement, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company’s shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

This Appendix contains a summary of the Memorandum and Articles of Association of our Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, a copy of the Memorandum and Articles of Association is available for inspection.

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 Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that the Company's objects are unrestricted. The objects of the Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified in the paragraph headed "Documents available for inspection" specified in Appendix VI to this Prospectus. As an exempted company, 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.

2. ARTICLES OF ASSOCIATION

The articles of association of the Company (the "Articles") were adopted on December 3, 2013. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) Power to allot and issue shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time 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 Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine.

All unissued shares in the Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(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 although the Directors may 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 relevant statutes of the Cayman Islands to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

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 the giving of security for loans to Directors

Where the shares of the Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, the Company may not make, without the approval of, or ratification by, the Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of the Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of the Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which the Company has an equity interest, and the amount of such loan, or the liability assumed by the Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) Financial assistance to purchase shares of the Company or its holdings company

There are no provisions in the Articles relating to the giving by the Company of financial assistance for the purchase, subscription or other acquisition of shares of the Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) 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 an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors 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 they think 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. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment

of any of his associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of 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 will any contract with regard thereto 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. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his associate(s) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for the giving to the Director or his associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of the Company;
- (bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any company in which the Company has an interest for which the Director or his associate(s) has himself/themselves guaranteed or secured in whole or in part;
- (cc) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;
- (dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company 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 and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;

- (ee) any contract or arrangement in which the Director or his associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of the Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
- (ff) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of the Company or any of its subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;
- (gg) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit; and
- (hh) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to the Articles.

(vii) Remuneration

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time 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 they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed from

time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting, one-third of the Directors for the time being (or if their number is not three or 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 least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. 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 breach of any contract of service between him and the Company). Subject to the statutes and the provisions of the Articles, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees

consisting of such member or members of their body and such other persons as they think fit, and they 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 so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or 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: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.

(x) Qualification shares

Directors of the Company are not required under the Articles to hold any qualification shares.

(xi) Indemnity to Directors

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) Alterations to constitutive documents

The memorandum of association of the Company may be altered by the Company in general meeting. The Articles may also be amended by the Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of the Company.

(c) Alterations of capital

The Company may from time to time by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it

thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are 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;
- (vi) change the currency of denomination of its share capital; and
- (vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied 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 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, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions — majority required

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, 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 respective duly authorised representatives, or by proxy, at a general meeting of which notice of not less than 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. However, at all times while any part of the issued capital of the Company remains listed on the Stock Exchange, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, (or, in the case of an annual general meeting, by all members) a resolution may be proposed and passed as a special resolution at a meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days has been given.

(f) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall 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 authorised 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.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of the Company are listed with the permission of the Company.

(h) Accounts and audit

The Directors 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 receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by law or are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by the Company in general meeting.

The Directors shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in the Company are listed on the Stock Exchange, the accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of the Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from the Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, 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 the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings may be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee 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, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must 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 transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors

refuse to register a transfer, they must within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they 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, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time 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 30 days in any year.

(k) Power for the Company to purchase its own shares

The Articles provide that the power of the Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

(l) Power of any subsidiary to own securities in the Company

There are no provisions in the Articles relating to ownership of securities in the Company by a subsidiary.

(m) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors 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, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment,

or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in 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 to vote on his behalf at a general meeting of the Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of the Company.

A proxy 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 as if it were an individual member.

(o) Corporate representatives

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made

payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors 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 moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of the Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if the Company were incorporated under and is subject to the Companies Ordinance (Cap. 32) of the laws of Hong Kong.

(r) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of the Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, 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 is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property 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 sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is listed and a period of three months has elapsed since the

date of the first publication of such notice; (iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) Stock

The Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” and “member” therein shall include “stock” and “stockholder”.

(x) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which the Company may issue after the date of this prospectus shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of the Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of the Company may be altered by the Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 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. Except in the case of an annual general meeting, the requirement of not less than 21 clear days' notice and not less than ten (10) clear

business days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

4. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands 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 Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) 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 or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (iii) in redeeming or purchasing its shares as provided in the Companies Law; or
- (iv) in writing off
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the

circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares 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. Purchases and redemptions may only be effected out of the profits of the company or the share premium account of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is 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 subscription 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.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) 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 a 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 wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of 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 shall 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 memorandum and articles of association of the company.

(f) 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 is required, 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.

(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters 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. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(I) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provides that the company is to be dissolved. 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. 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.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

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 purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

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. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

5. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarizing 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 delivered to the Registrar of Companies" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION ABOUT OUR GROUP

1.1 Incorporation of our Company in the Cayman Islands and registration of our Company under Part XI of the Companies Ordinance

Our Company was incorporated under the Companies Law in the Cayman Islands as an exempted company with limited liability on June 24, 2013. At its incorporation, our Company had an authorised share capital of HK\$15 million divided into 1,500 million Shares of HK\$0.01 each.

As our Company was incorporated in the Cayman Islands, our operations are subject to the Cayman Islands Companies Law and our constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum of Association and Articles of Association is set out in Appendix IV to this prospectus.

Our Company has established a principal place of business in Hong Kong at Suite 4018, 40/F Jardine House, 1 Connaught Place, Central, Hong Kong. Our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on October 18, 2013. Ms. Ng Sin Yee, Clare has been appointed the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

1.2 Changes in the share capital of our Company

(a) Change in authorised and issued share capital

As at the date of incorporation of our Company, our Company had an authorised share capital of HK\$15 million divided into 1,500 million Shares of HK\$0.01 each. All the 1,500 million Shares were issued.

On June 24, 2013, one subscriber Share was issued to Sharon Pierson which was transferred on the same date to Splendor Court. On the same date, a total of 1,499,999,999 Shares were issued by the Company to the following corporate Shareholders in the proportion as stated below (the following also summarises the ownership of such corporate Shareholders at such time):

Serial no.	Name of corporate holder of our Shares	Owner of the issued share capital in such corporate holder (Note e)	No. of Shares held	Percentage of holding of Shares (%)
1	HLGH Investment	HLGH Trustee (Note a)	871,315,837	58.09
2	NGGH Investment	NGGH Trustee (Note b)	136,344,891	9.09
3	BMGH Investment	BMGH Trustee (Note c)	77,342,372	5.16
4	XCGH Investment	XCGH Trustee (Note d)	61,055,991	4.07
5	High Sun	Mr. Guo Wensan	66,000,000	4.40
6	Starlight Investment	Mr. Li Shunan	46,400,000	3.09
7	Splendor Court	Mr. Guo Jingbin	62,680,000 (inclusive of the one Share transferred from the initial subscriber)	4.18

Serial no.	Name of corporate holder of our Shares	Owner of the issued share capital in such corporate holder (Note e)	No. of Shares held	Percentage of holding of Shares (%)
8	Golden Convergence	Mr. Ji Qinying	61,080,000	4.07
9	Global Essence	Mr. Wang Jun	44,480,000	2.97
10	Fortunate Gold	Mr. Zhu Dejin	41,280,000	2.75
11	Confluence Investment	Mr. Zhu Zhongping	32,020,909	2.13
	Sub-total:		<u>1,500,000,000</u>	<u>100.00</u>

Notes:

- a. HLGH Investment is solely owned by HLGH Trustee. HLGH Investment and the Shares owned by it subsequently became part of the trust assets of the HLGH Trusts (i.e. the HLGH Fixed Trust and the HLGH Discretionary Trust), which were founded by Mr. Liu Yi as settlor. Mr. Liu Yi is the sole director of each of HLGH Trustee and HLGH Investment, and is also the sole shareholder of HLGH Trustee. He is a permanent resident of Republic of Guinea-Bissau.
- b. NGGH Investment is solely owned by NGGH Trustee. NGGH Investment and the Shares owned by it subsequently formed part of the trust assets of the NGGH Trust, which was founded by Mr. Rao Peijun as settlor and managed by NGGH PTC as trustee for the NGGH Trust. Mr. Rao Peijun is the sole director of each of NGGH Trustee and NGGH Investment, and is also the sole shareholder of NGGH Trustee. He is a permanent resident of Republic of Guinea-Bissau.
- c. BMGH Investment is solely owned by BMGH Trustee. BMGH Investment and the Shares owned by it subsequently formed part of the trust assets of the BMGH Trust, which was founded by Mr. Hua Yuzhou as settlor. Mr. Hua Yuzhou is the sole director of each of BMGH Trustee and BMGH Investment, and is also the sole shareholder of BMGH Trustee. He is also a permanent resident of Republic of Guinea-Bissau.
- d. XCGH Investment is solely owned by XCGH Trustee. XCGH Investment and the Shares owned by it subsequently formed part of the trust assets of the XCGH Trust, which was founded by Mr. Zhou Xiaochuan as settlor. Mr. Zhou Xiaochuan is the sole director of each of XCGH Trustee and XCGH Investment, and is also the sole shareholder of XCGH Trustee. He is a permanent resident of Republic of Guinea-Bissau.
- e. As of the Latest Practicable Date, Messrs. Ji Qinying, Li Shunan and Zhu Zhongping were permanent residents of Republic of Guinea-Bissau; Mr. Guo Jingbin was permanent resident of Vanuatu; and Messrs. Guo Wensan, Wang Jun and Zhu Dejin were citizens of the PRC.

On July 13, 2013, the authorised share capital of our Company was increased to HK\$150 million by the creation of 13,500 million Shares pursuant to a resolution passed by our Shareholders.

The following is a description of the authorised and issued share capital of our Company in issue and to be issued, fully paid or credited as fully paid, immediately prior to and following completion of the Global Offering:

	<u>HK\$</u>
<i>Authorised share capital:</i>	
15,000,000,000 Shares of HK\$0.01 each	150,000,000
<i>Issued and to be issued, fully paid or credited as fully paid:</i>	
1,500,000,000 Shares in issue as at the date of this prospectus	15,000,000
<u>265,000,000</u> Shares to be issued pursuant to the Global Offering	<u>2,650,000</u>
<u>1,765,000,000</u> Total	<u>17,650,000</u>

Assumptions

The above table assumes that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. It takes no account of any Shares which may be issued upon the exercise of options under the Share Option Scheme or the Over-allotment Option or of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

As at the Latest Practicable Date, our Company had an authorised share capital of HK\$150 million divided into 15,000 million Shares, and an issued share capital of HK\$15 million divided into 1,500 million Shares, all fully paid or credited as fully paid.

Immediately following completion of the Global Offering and upon the exercise of the Over-allotment Option in full but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, the authorised share capital of our Company remains at HK\$150 million divided into 15,000 million Shares, of which 1,804.75 million Shares will be issued, fully paid or credited as fully paid, and 13,195.25 million Shares will remain unissued.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

Other than pursuant to the Global Offering, the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

1.3 Resolutions in writing passed by our Shareholders on December 3, 2013

Pursuant to the written resolutions passed by all our Shareholders on December 3, 2013, among other matters:

- (a) the Articles were approved and adopted;

- (b) conditional upon (aa) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering; (bb) the Offer Price having been fixed; (cc) the execution and delivery of the Hong Kong Underwriting Agreement on or before the date of this prospectus and the International Underwriting Agreement on or about the Price Determination Date; (dd) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not being terminated in accordance with the terms of those agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
- (i) the Global Offering and the grant of the Over-allotment Option were approved and the Directors were authorised to allot and issue the Global Offering Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set forth in the paragraph headed “Share Option Scheme” of this appendix, were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
 - (iii) a general unconditional mandate was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Global Offering, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first;
 - (iv) a general unconditional mandate (“**Repurchase Mandate**”) was given to the Directors to exercise all powers of our Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

- (v) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (iv) above; and

1.4 Further information about our subsidiaries and investees in the PRC

Our Group has interests in the registered capital in seven subsidiaries and one investee (namely, Conch Holdings), which are established in the PRC. Our investee (i.e. Conch Holdings) is a controlling shareholder of two listed companies (namely, Conch Cement and Conch Profiles) and a holding company of four non-listed companies in the PRC.

(a) Corporate information of our subsidiaries, Conch Holdings and some of its investees (our Investment Assets)

The following sets out some corporate information concerning our subsidiaries, Conch Holdings, its investees and the four non-listed companies which Conch Holdings held as at the Latest Practicable Date:

		a. Conch Venture Green	b. Conch Venture Wuhu	c. Bozhou CV Green	d. Conch Venture Pingliang	e. CK Engineering	f. CK Equipment
(i)	Full name of company	安徽海創新型節能建築材料有限責任公司 (Anhui Conch Venture New Energy-Saving Building Material Co., Ltd.*)	蕪湖海創實業有限責任公司 (Wuhu Conch Venture Enterprise Limited*)	亳州海創新型節能建築材料有限責任公司 (Bozhou Conch Venture New Energy-Saving Building Material Co., Ltd.*)	平涼海創環境工程有限責任公司 (Pingliang Conch Venture Environmental Engineering Co. Ltd.*)	安徽海螺川崎工程有限公司 (Anhui Conch Kawasaki Engineering Co., Ltd.*)	安徽海螺川崎節能設備製造有限公司 (Anhui Conch Kawasaki Energy-Conservation Equipment Manufacturing Co., Ltd.*)
(ii)	Date of establishment . . .	June 24, 2013	May 31, 2013	August 27, 2013	September 23, 2013	December 13, 2006	October 26, 2007 (Note 1)
(iii)	Economic nature . . .	Wholly foreign owned enterprise	Limited liability company (legal entity wholly owned or controlled by non-natural person) (有限責任公司(非自然人投資或控股的法人獨資))	Limited liability company (legal entity wholly owned or controlled by non-natural person) (有限責任公司(非自然人投資或控股的法人獨資))	Limited liability company (legal entity wholly owned or controlled by non-natural person) (有限責任公司(非自然人投資或控股的法人獨資))	Limited liability company (sino-foreign equity joint venture)	Limited liability company (sino-foreign equity joint venture)
(iv)	Registered holder(s)	Conch Venture HK (100%)	Conch Venture Green (100%)	Conch Venture Green (100%)	Conch Venture Wuhu (100%)	(aa) Conch Venture Wuhu (51%) (bb) Kawasaki HI (49%)	(aa) Conch Venture Wuhu (51%) (bb) Kawasaki HI (49%)
(v)	Total investment amount (where applicable).	HK\$300 million	Not applicable	RMB550 million	Not applicable	RMB200 million	RMB130 million
(vi)	Registered capital . . .	HK\$100 million	RMB100 million	RMB50 million	RMB20 million	RMB100 million	RMB100 million
(vii)	Percentage equity interest attributable to our Group . . .	100%	100%	100%	100%	51%	51%
(viii)	Term of operation . . .	From June 24, 2013 to June 24, 2033	From May 31, 2013 to May 31, 2063	From August 27, 2013 to August 26, 2063	From September 23, 2013 to September 22, 2015	From December 13, 2006 to December 13, 2026	From October 26, 2007 to October 26, 2027

Note:

1. The predecessor of CK Equipment is Conch NEC Equipment whose date of establishment is December 13, 2006.

	<u>g. HC Port</u>	<u>h. Conch Holdings</u>	<u>i. Wuhu Conch Hotel</u>	<u>j. Yingde Conch Hotel</u>
(i) Full name of company	揚州海昌港務實業有限公司 (Yangzhou Haichang Port Industrial Co., Ltd.*)	安徽海螺集團有限公司 (Anhui Conch Holdings Co., Ltd.*)	蕪湖海螺國際大酒店有限公司 (Wuhu Conch International Hotel Co., Ltd.*)	英德海螺國際大酒店有限公司 (Yingde Conch International Hotel Co., Ltd.*)
(ii) Date of establishment	October 30, 2006	November 7, 1996	September 26, 1999	September 10, 2003
(iii) Economic nature	Limited liability company (joint venture between domestic investors and Taiwan, Hong Kong or Macau investors) (有限責任公司(台港澳與境內合資))	(Other) Limited liability company (其他有限責任公司)	Limited liability company (有限責任公司)	Limited liability company (有限責任公司)
(iv) Registered holder(s)	(aa) Conch Venture Wuhu (75%) (bb) Prosperity Trading (25%)	(aa) Anhui Investment (51%) (bb) Conch Venture Wuhu (49%)	Conch Holdings (100%)	(aa) Conch Holdings (75%) (bb) Wuhu Conch Hotel (25%)
(v) Total investment amount (where applicable)	RMB623 million	Not applicable	Not applicable	Not applicable
(vi) Registered capital.	RMB220.5 million	RMB800 million	RMB68.5 million	RMB63.8 million
(vii) Percentage equity interest attributable to our Group	75%	49%	49% (Note 2)	49% (Note 2)
(viii) Term of operation.	From October 30, 2006 to October 29, 2026	Not applicable	From September 26, 1999 to December 1, 2055	Not applicable
	<u>k. Conch Design Institute</u>	<u>l. Conch IT Engineering</u>	<u>m. Conch Cement</u>	<u>n. Conch Profiles</u>
(i) Full name of company	安徽海螺建材設計研究院 (Anhui Conch Building Materials Design and Research Institute*)	安徽海螺信息技術工程有限責任公司 (Anhui Conch IT Engineering Co. Ltd.*)	安徽海螺水泥股份有限公司 (Anhui Conch Cement Co. Ltd.*)	蕪湖海螺型材科技股份有限公司 (Wuhu Conch Profiles and Science Co., Ltd*)
(ii) Date of establishment	August 10, 1998	June 12, 2008	September 1, 1997	October 16, 1996
(iii) Economic nature	State-owned enterprise (全民所有制)	Solely-owned company limited (一人有限公司)	Limited liability company (listed) (股份有限公司(上市))	Limited liability company (listed) (股份有限公司(上市))
(iv) Registered holder(s)	Conch Holdings (100%)	Conch Design Institute (100%)	(aa) Conch Holdings (36.78%) (bb) CV Investment (5.41%) (cc) Other shareholders (58.39%)	(aa) Conch Holdings (32.07%) (bb) Other shareholders (67.93%)
(v) Total investment amount (where applicable)	Not applicable	Not applicable	Not applicable	Not applicable
(vi) Registered capital.	RMB15,000,000	RMB5,000,000	RMB5,299,302,579	RMB360,000,000
(vii) Percentage equity interest attributable to our Group	49% (Note 2)	49% (Note 2)	(Note 3)	(Note 4)
(viii) Term of operation.	From August 10, 1998 to December 31, 2029	Not applicable	Not applicable	Not applicable

Notes:

2. Each of the companies is wholly owned by Conch Holdings, which in turn is owned as to 49% by our Group.
3. Conch Cement is owned as to 36.78% by Conch Holdings and its subsidiaries, which in turn is owned as to 49% by our Group.
4. Conch Profiles is owned as to 32.07% by Conch Holdings, which in turn is owned as to 49% by our Group.

The permitted scope of business set out in the business license of the above companies incorporated in the PRC are set out as follows:

- | | | |
|----|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. | Conch Venture Green | Design, manufacture, sale, production, research and development and application of new green building materials |
| b. | Conch Venture Wuhu | Manufacturing and sale of new building materials and energy-efficient equipments; investment in projects in industry new building materials and energy-efficient equipments |
| c. | Bozhou CV Green | Green building material design, production, sales, manufacture, research and design and applications |
| d. | Conch Venture Pingliang | Waste processing and recycling (production line under construction) |
| e. | CK Engineering | Industrial residual heat power generation, cement equipments and other energy-efficient and environmentally friendly engineering design, construction, installation, and design, development, procurement and sale of related equipments; provision of related consultancy services (except those restricted or prohibited by government; operation of franchised business by permit only) |
| f. | CK Equipment | Manufacture, sale and after-sale services of cement residual heat power generation PH boilers; development, manufacture, sale, installation and testing, technical instruction, maintenance and after-sale services (operation of franchised business by permit only) |
| g. | HC Port | Licensed operations: provision of port facilities services; provision of cargo loading and unloading, storage and logistics services. General operations: production of mineral powder, sale of own manufactured goods and provision of after-sale services |
| h. | Conch Holdings | Asset operation, investment, financing, property transactions, construction materials, chemical and industrial products, transportation, warehousing, construction project, development of technological products, technical support services, imports and exports trading, etc. |

- | | | |
|----|------------------------|-------------------------------------------------------------------------------------------------------------------------|
| i. | Wuhu Conch Hotel | Operation of Wuhu Conch International Hotel (蕪湖海螺國際大酒店) and food and beverage business |
| j. | Yingde Conch Hotel | Operation of Yingde Conch International Hotel (英德海螺國際大酒店) and food and beverage business |
| k. | Conch Design Institute | Construction design and environmental engineering consultancy |
| l. | Conch IT Engineering | Industry automated system design, computer system engineering design and development and sale and software |
| m. | Conch Cement | Production and sales of various high quality cement, and commodity clinker required for production of high-grade cement |
| n. | Conch Profiles | Production, sales and installation of plastic profile, doors, windows, metal and steel products |

(b) Further information about Anhui Conch Group

Conch Holdings

In terms of the shareholders of Conch Holdings, certain major changes took place after its establishment in 1996:

- (a) Anhui Provincial Government was the sole shareholder of Conch Holdings in 1996.
- (b) In February 2002, China NBMC commenced certain proceedings against Conch Holdings in the Anhui Provincial High Court, claiming for (among others things) a sum of about RMB119.9 million being the principal amount of certain allocated funds which have been converted into loans (撥改貸). In June 2002, the above legal proceedings were withdrawn, and under the conciliation measures organised by the Anhui Provincial High Court, Conch Holdings and China NBMC reached a settlement agreement, and pursuant to a “civil settlement order” issued by the Anhui Provincial High Court, part of the said principal amount as approved by the State Commission of Planning (國家發展計劃委員會) and the Ministry of Finance (財政部) was converted into equity, China NBMC thereby became entitled to 11% equity interest in Conch Holdings.
- (c) In November 2002, CV Investment entered into an agreement with China NBMC, pursuant to which CV Investment agreed to acquire from China NBMC its entitlement to 11% equity interest in Conch Holdings. At around the same time, as part of a proposal for Conch Holdings to settle certain outstanding compensations and performance-related wages then payable to the staff of the Anhui Conch Group, the equity interest in Conch Holdings then held by CV Investment was increased to approximately 13.3%. In August 2003, CV Investment was approved by the Anhui Provincial Government to become interested in about 35.7% equity interest in Conch Holdings, and thereafter CV Investment became the registered holder of 49% equity interest in Conch Holdings, while Anhui Investment held the remaining 51% equity interest in Conch Holdings.

Equity transfer restrictions

Under the articles of association of Conch Holdings, any shareholder who intends to transfer its equity interest in Conch Holdings to any third party must obtain consents of all other shareholders of Conch Holdings before the transfer. Any shareholder who disagrees with the transfer shall purchase such equity interest, and such shareholder will be deemed as agreeing with the transfer if it does not purchase the equity interest concerned within the prescribed time of offer. As a result, our Group shall obtain consent from the other shareholder of Conch Holdings for any transfer of shares in Conch Holdings. Save as the above, our Directors are of the view that there is no material restriction on the transfer of shares in Conch Holdings by our Group.

Dividend Policy

According to Interim Administrative Measures Concerning Profit Distribution of State-owned Enterprises in Anhui Province (安徽省省屬國有控股企業利潤分配管理暫行辦法) with effect from February 17, 2012, aggregate cash dividends distributed in the latest three years shall be in principle no less than 30% of the average net profits attributable to shareholders in the latest three years. Profit distribution proposal shall be subject to review by Anhui SASAC and approval from the board of directors and shareholders. For the three years ended December 31, 2010, 2011 and 2012, the annual dividends distributed by Conch Holdings to its then 49% shareholder (i.e. CV Investment) were approximately RMB295.4 million, RMB192.2 million and RMB114.2 million respectively. No dividend was distributed by Conch Holdings during the six months ended June 30, 2013.

Going forward, we intend to procure Conch Holdings to distribute its distributable earnings derived from its investee companies (including Conch Cement and Conch Profiles) to us at the largest extent every year. However, such distribution proposal is subject to review by Anhui SASAC and approval from the board of directors and shareholders of Conch Holdings, and we do not have control over such decision. Please see the paragraph headed “Risk factors — Risks relating to our business — Our results of operations are largely affected by the performance of certain associates of Conch Holdings, over which the business we do not have control as we only have a minority interest in those entities”.

Conch Cement*Equity transfer restrictions*

According to Interim Administrative Measures for the Transfer of Shares of Listed Companies by State-owned Shareholders (國有股東轉讓所持上市公司股份管理暫行辦法), the transfer of the shares of a listed company through securities trading system or by agreement, free transfer and indirect transfer by state-owned shareholders shall be governed by these Measures. Where local state-owned or state-controlled enterprises do not own the controlling right of the listed company after the transfer of shares thereof, the state-owned assets supervision and administration authority at provincial level shall, after having been approved by the provincial government, report the transfer to the state-owned assets supervision and administration authority of the State Council for examination. Save as the above, our Directors are of the view that there is no material restriction on the transfer of Conch Cement A-Shares by Conch Holdings.

Due to the foreign exchange control in the PRC, Conch Holdings, which is not a Qualified Domestic Institutional Investor (QDII), is not allowed to directly invest nor trade Conch Cement H-Shares, and therefore Conch Holdings did not hold any Conch Cement H-Shares as of the Latest Practicable Date.

Dividend Policy

Conch Cement adopts cash dividend distribution as its main profit distribution policy. Cash dividends to be distributed by Conch Cement for any financial year shall not be less than 10% of the total distributable profit of the same financial year. Where Conch Cement realises profit for any financial year, the board of directors shall examine and discuss specifically on the matters regarding the cash dividend distribution while taking into account the timing of cash dividend distribution, actual operation conditions and development, shareholders' requirements and preferences, external financing environment and other factors, provide detailed explanations regarding the cash dividend distribution arrangement and formulate profit distribution proposal.

According to Administrative Measures for Issue of Listed Securities (上市公司證券發行管理辦法) as amended by the Decision on Amendments to Certain Rules Regarding Cash Dividends of Listed Companies (關於修改上市公司現金分紅若干規定的決定) with effect from October 9, 2009, aggregate cash dividends distributed in the latest three years shall be in principle no less than 30% of the average distributable net profits in the latest three years.

Conch Profiles

Equity transfer restrictions

According to Interim Administrative Measures for the Transfer of Shares of Listed Companies by State-owned Shareholders as mentioned above, the transfer of the shares of a listed company through securities trading system or by agreement, free transfer and indirect transfer by state-owned shareholders shall be governed by these Measures. Where local state-owned or state-controlled enterprises do not own the controlling right of the listed company after the transfer of shares thereof, the state-owned assets supervision and administration authority at provincial level shall, after having been approved by the provincial government, report the transfer to the state-owned assets supervision and administration authority of the State Council for examination. Save as the above, our Directors are of the view that there is no material restriction on the transfer of shares in Conch Profiles by Conch Holdings.

Dividend Policy

When distributing profit, Conch Profiles shall have regard to the importance of maintaining a reasonable return to investors as well as the sustainable development of Conch Profiles. Profit appropriation policy shall maintain continuity and stability. Profit distribution shall not exceed the aggregate distributable profit or undermine the sustainable operation of Conch Profiles. Conch Profiles may distribute dividends by way of cash or bonus shares (or by a combination of both). Conch Profiles may distribute interim cash dividends taking into account its profit and cashflow position. Where Conch Profiles realises profit for any financial year, and having satisfied the normal operating cashflow needs and provided in full for statutory surplus reserve, it may adopt cash dividend distribution if there is no substantial investment plan or substantial cash expenditure plan etc. Cash dividends to be distributed by Conch Profiles for any financial year shall not be less than 10% of the total distributable profit of the same financial year.

According to Administrative Measures for Issue of Listed Securities (as amended) as mentioned above with effect from October 9, 2009, aggregate cash dividends distributed in the latest three years shall be in principle no less than 30% of the average distributable net profits in the latest three years.

Wuhu Conch Hotel

At its incorporation, the registered capital of Wuhu Conch Hotel amounted to RMB50 million, which was solely owned by Conch Holdings and was fully paid up upon its incorporation.

In November 2005, the registered capital of Wuhu Conch Hotel was approved to be increased to RMB68.5 million. The registered capital in Wuhu Conch Hotel has since then remained at RMB68.5 million up to the Latest Practicable Date. The increased amount of the registered capital was paid up by a new shareholder (namely, Can High International Trading Limited (江海國際貿易有限公司, "CHITL")) and the registered capital was held by Conch Holdings and CHITL in the proportion of about 73% and 27% respectively. The increased portion of the registered capital was paid up by CHITL in January 2006.

By an equity transfer agreement dated June 25, 2010 and made between Conch Holdings and CHITL, the 27% equity interest in Wuhu Conch Hotel held by CHITL was agreed to be transferred to Conch Holdings at a consideration of approximately HK\$21.30 million. The consideration was determined having regard to the carrying value of the amount of investment held by CHITL in Wuhu Conch Hotel as at May 31, 2010. Such consideration was fully settled in June 2010. The said transfer was approved by Anhui Provincial Commerce Authority in August 2010, and was registered with Wuhu AIC in November 2010. Since November 2010, Wuhu Conch Hotel has become a wholly-owned subsidiary of Conch Holdings.

Conch Holdings, being the sole shareholder of Wuhu Conch Hotel, has an absolute discretion to declare any dividends for any year and, the amount of the dividends, if it decides to declare a dividend.

According to Anhui SOA Transfer Measures, any transfer of equity interest in Wuhu Conch Hotel shall be subject to the approval from Anhui SASAC.

Save as disclosed above, (i) there is no material restriction on Wuhu Conch Hotel paying dividends and making other distribution to Conch Holdings; and (ii) there is no material restriction on transfers of equity interest in Wuhu Conch Hotel by Conch Holdings under the applicable PRC laws and regulations.

Yingde Conch Hotel

At its incorporation, the registered capital of Yingde Conch Hotel amounted to RMB35 million and was held by Conch Holdings and Wuhu Conch Hotel (a subsidiary of Conch Holdings, whose brief information is set out in the preceding paragraphs) in the proportion of 75% and 25% respectively. In August 2011, the registered capital of Yingde Conch Hotel was increased to RMB63.8 million, while its shareholders and percentage shareholdings have remained unchanged. These have remained so up to the Latest Practicable Date.

Yingde Conch Hotel is held as to 75% by Conch Holdings and 25% by Wuhu Conch Hotel (a wholly-owned subsidiary of Conch Holdings). Conch Holdings, being the indirect sole shareholder of Yingde Conch Hotel, has an absolute discretion to declare any dividends for any year and, the amount of the dividends, if it decides to declare a dividend.

According to Anhui SOA Transfer Measures, any transfer of equity interest in Yingde Conch Hotel shall be subject to the approval from Anhui SASAC.

Save as disclosed above, (i) there is no material restriction on Yingde Conch Hotel paying dividends and making other distribution to Conch Holdings and Wuhu Conch Hotel; and (ii) there is no material restriction on the transfers of equity interest in Yingde Conch Hotel by Conch Holdings and Wuhu Conch Hotel under the applicable PRC laws and regulations.

Conch Design Institute

Conch Holdings, being the sole shareholder of Conch Design Institute has an absolute discretion to declare any dividends for any year and, the amount of the dividends, if it decides to declare a dividend.

According to Anhui SOA Transfer Measures, any transfer of equity interest in Conch Design Institute shall be subject to the approval from Anhui SASAC.

Save as disclosed above, (i) there is no material restriction on Conch Design Institute paying dividends and making other distribution to Conch Holdings; and (ii) there is no material restriction on transfers of equity interest in Conch Design Institute by Conch Holdings under the applicable PRC laws and regulations.

Conch IT Engineering

Conch Holdings, being the indirect sole shareholder of Conch IT Engineering has an absolute discretion to declare any dividends for any year and, the amount of the dividends, if it decides to declare a dividend.

According to Anhui SOA Transfer Measures, any transfer of equity interest in Conch IT Engineering shall be subject to the approval from Anhui SASAC.

Save as disclosed above, (i) there is no material restriction on Conch IT Engineering paying dividends and making other distribution to Conch Holdings; and (ii) there is no material restriction on transfers of equity interest in Conch IT Engineering by Conch Holdings under the applicable PRC laws and regulations.

(c) CK Engineering, CK Equipment and HC Port

CK Engineering, CK Equipment and HC Port are our non-wholly owned subsidiaries. The following summarises the provisions of the joint venture contracts, articles of association and other related documents concerning each of such companies:

(i) CK Engineering

CK Engineering was established in the PRC on December 13, 2006 having a registered capital of RMB20 million, all of which was contributed by CV Investment and Kawasaki Partner in their respective shares in December 2006. In October 2009, the registered capital of CK Engineering was increased to RMB100 million, all of which was contributed by CV Investment and Kawasaki Partner in their respective shares in October 2009.

At the time of establishment, CK Engineering was owned as to 50% by CV Investment and 50% by Kawasaki Partner respectively. Under the joint venture contract and the related articles of association of CK Engineering, each of CV Investment and Kawasaki Partner is entitled to

nominate the same number of directors to the board of CK Engineering. On most matters concerning the operational and financial management of CK Engineering, resolution(s) put to vote at any board meeting of CK Engineering shall be carried by majority of the votes cast. Each director shall have one vote. The quorum for any board meeting of CK Engineering is two-thirds of the number of directors. Under the said constitutive documents, the chairman of the board of directors of CK Engineering was elected by the directors among themselves and since incorporation and up to the Latest Practicable Date had been a director nominated by CV Investment. The constitutive documents of CK Engineering are silent as to whether the chairman of the board of directors of CK Engineering may have casting vote on matters in case of a deadlock.

By a memorandum of understanding dated December 20, 2006 and entered into between CV Investment and Kawasaki Partner, the investors of CK Engineering have agreed that if there is a deadlock in the board of directors of the company in connection with matters regarding, amongst others, the company's operation, investment direction, profit distribution, management and internal policies, personnel recruitment and corporate financing, under such memorandum of understanding, the chairman of the board shall be entitled to have a casting vote in this regard. It is also a term of such memorandum of understanding that CV Investment shall always have the right to nominate the chairman of the board of directors of CK Engineering. On such basis, CK Engineering was treated as a non-wholly owned consolidated subsidiary because CV investment had effective control over it pursuant to the memorandum of understanding.

By an agreement dated June 19, 2013 and made between CV Investment and Kawasaki Partner, 1% of the equity interest in CK Engineering held by Kawasaki Partner was agreed to be transferred to CV Investment at a consideration of approximately RMB4.8 million. The consideration was determined with reference to the carrying value of CK Engineering as at December 31, 2012. Such consideration was fully settled on July 5, 2013 by way of payment in cash and it is properly and legally completed. It is a term of the agreement that such transfer shall take effect from January 1, 2013. Such transfer was approved by the Anhui Provincial Commerce Authority on June 27, 2013, and was registered with the Wuhu AIC on July 2, 2013. Following such transfer, CK Engineering was owned by CV Investment and Kawasaki Partner in the proportion of 51% and 49% respectively.

By an agreement dated July 4, 2013 and made between CV Investment and Conch Venture Wuhu, the entire 51% equity interest in CK Engineering held by CV Investment was agreed to be transferred to Conch Venture Wuhu at a consideration of approximately RMB54.8 million. The consideration was determined with reference to the carrying value of investment as at December 31, 2012. Such consideration was fully settled on August 8, 2013 by way of payment in cash and assumption of indebtednesses owing by CV Investment to Agricultural Bank of China Ltd, Wuhu Branch. Such transfer was approved by the Anhui Provincial Commerce Authority on July 19, 2013, and was registered with the Wuhu AIC on July 26, 2013. The transaction was properly and legally completed. Following such change and up to the Latest Practicable Date, the registered holder and beneficial owner of 51% equity interest in CK Engineering was Conch Venture Wuhu, while the remaining 49% equity interest was held by Kawasaki Partner. Conch Venture Wuhu and Kawasaki Partner are entitled to nominate four and three directors to the board of CK Engineering respectively.

Under the articles of associations of CK Engineering, its registered capital shall be paid by the shareholders in cash, and if the company is wound-up, its surplus assets (after repayment of all outstanding liabilities) shall be distributed to its shareholders according to their shareholdings.

(ii) CK Equipment

The predecessor of CK Equipment is Conch NEC Equipment. As mentioned in the section headed “History, Development and Reorganisation — General — Establishment of CK Engineering, CK Equipment and HC Port” of this prospectus, in September 2007, CV Investment and Kawasaki Partner entered into an equity transfer agreement, pursuant to which Kawasaki Partner agreed to acquire from CV Investment 50% equity interest in Conch NEC Equipment (the predecessor of CK Equipment). CK Equipment also acquired certain fixed assets from CV Investment in connection with such equity acquisition.

CK Equipment was issued a new business license with the incorporation date of October 26, 2007 having a registered capital of RMB60 million. Its registered capital was increased to RMB100 million on June 20, 2013. All such registered capital was contributed by CV Investment and Kawasaki Partner in equal share. Under the joint venture contract and the related articles of association of CK Equipment, each of CV Investment and Kawasaki Partner is entitled to nominate the same number of directors to the board of CK Equipment. On most matters concerning the operational and financial management of CK Equipment, resolution(s) put to vote at any board meeting of CK Equipment shall be carried by majority of the votes cast. Each director shall have one vote. The quorum for any board meeting of CK Equipment is two-thirds of the number of directors. Under the said constitutive documents, the chairman of the board of directors of CK Equipment was elected by the directors among themselves and since incorporation and up to the Latest Practicable Date had been a director nominated by CV Investment. The constitutive documents of CK Equipment are silent as to whether the chairman of the board of directors of CK Equipment may have casting vote on matters in case of a deadlock.

By a memorandum of understanding dated December 20, 2007 and entered into between CV Investment and Kawasaki Partner, the investors of CK Equipment have agreed that if there is a deadlock in the board of directors of the company in connection with matters regarding, amongst others, the company’s operation, investment direction, profit distribution, management and internal policies, personnel recruitment and corporate financing. Under such memorandum of understanding, the chairman of the board shall be entitled to have a casting vote in this regard. It is also a term of such memorandum of understanding that CV Investment shall always have the right to nominate the chairman of the board of directors of CK Equipment. On such basis, CK Equipment was treated as a non-wholly owned consolidated subsidiary because CV investment had effective control over it pursuant to the memorandum of understanding.

By an agreement dated June 19, 2013 and made between CV Investment and Kawasaki Partner, 1% of the equity interest in CK Equipment held by Kawasaki Partner was agreed to be transferred to CV Investment at a consideration of approximately RMB3.9 million. The consideration was determined with reference to the carrying value of CK Equipment as at December 31, 2012. Such consideration was fully settled on July 5, 2013 by way of payment in cash and it was properly and legally completed. It is a term of the agreement that such transfer shall take effect from January 1, 2013. Such transfer was approved by the Anhui Provincial Commerce Authority on June 27, 2013, and was registered with the Wuhu AIC on June 28, 2013. Following such transfer, CK Equipment was owned by CV Investment and Kawasaki Partner in the proportion of 51% and 49% respectively.

By an agreement dated July 4, 2013 and made between CV Investment and Conch Venture Wuhu, the entire 51% equity interest in CK Equipment held by CV Investment was agreed to be transferred to Conch Venture Wuhu at a consideration of approximately RMB53.9 million. The consideration was determined with reference to the carrying value of investment as at December 31, 2012. Such consideration was fully settled on August 8, 2013 by way of payment in cash and assumption of indebtednesses owing by CV Investment to Agricultural

Bank of China Ltd, Wuhu Branch. Such transfer was approved by the Anhui Provincial Commerce Authority on July 19, 2013 and was registered with the Wuhu AIC on July 26, 2013. The transaction was properly and legally completed. Following such change and up to the Latest Practicable Date, the registered holder and beneficial owner of 51% equity interest in CK Equipment was Conch Venture Wuhu, while the remaining 49% equity interest was held by Kawasaki Partner. Conch Venture Wuhu and Kawasaki Partner are entitled to nominate four and three directors to the board of CK Equipment respectively.

Under the articles of associations of CK Equipment, its registered capital shall be paid by the shareholders in cash, and if the company is wound up, its surplus assets (after repayment of all outstanding liabilities) shall be distributed to its shareholders according to their shareholdings.

(iii) HC Port

HC Port was established in the PRC on October 30, 2006 having a registered capital of RMB100 million, all of which was contributed by CV Investment and Prosperity Trading in their respective shares in November 2006 and April 2007.

At the time of establishment, HC Port was owned as to 75% by CV Investment and 25% by Prosperity Trading respectively.

In September 2009, the registered capital of HC Port was increased to RMB220.5 million, all of which was contributed by CV Investment, Conch IID Shanghai and Prosperity Trading in their respective shares in September 2009. Upon completion of such increase of its registered capital, HC Port was owned as to 40.99% by Conch IID Shanghai, as to 34.01% by CV Investment, and 25% by Prosperity Trading respectively.

Pursuant an equity transfer agreement dated June 28, 2010 and entered into between Conch IID Shanghai and CV Investment, the entire 40.99% equity interest in HC Port held by Conch IID Shanghai was transferred to CV Investment at a cash consideration of approximately RMB90.38 million. Upon completion of the equity transfer agreement in July 2010, HC Port was owned as to 75% by CV Investment and 25% by Prosperity Trading respectively.

On July 31, 2013, the entire 75% equity interest in HC Port held by CV Investment was agreed to be transferred to Conch Venture Wuhu at a consideration of approximately RMB165.4 million. The consideration was determined with reference to the carrying value of investment as at December 31, 2012. Such consideration was fully settled on August 8, 2013 by way of payment in cash and assumption of indebtednesses owing by CV Investment to Agricultural Bank of China Ltd., Wuhu Branch. The transaction was properly and legally completed. Such transfer was approved by the Jiangsu Provincial Commerce Authority on July 16, 2013 and registered with the Yangzhou AIC on July 31, 2013. Upon completion of the said transfer in mid-July 2013, HC Port was owned as to 75% by Conch Venture Wuhu and 25% by Prosperity Trading.

Under the articles of associations of HC Port, its registered capital shall be paid by the shareholders in cash, and if the company is wound up, its surplus assets (after repayment of all outstanding liabilities) shall be distributed to its shareholders according to their shareholdings.

1.5 Additional information about our Reorganisation

The key steps taken in our Reorganisation in preparation for the Listing and the Global Offering are set out in section headed “History, Development and Reorganisation — Reorganisation” in this prospectus. For brief details of these steps, please refer to that section.

The following sets out some additional information in connection with the steps taken in the PRC for our implementation of our Reorganisation:

- (i) Conch Venture Wuhu was incorporated in the PRC on May 31, 2013. At the time of its incorporation, its registered capital was RMB100 million, and its sole shareholder is CV Investment.
- (ii) The equity interest in the relevant members of our Group and Conch Holdings was agreed to be transferred on the terms of certain agreements, brief details of which are summarised below, and the respective dates of approval and/or filings by the relevant commerce authority and AIC are set out below:

Equity interest being agreed to be transferred	(aa) Date of agreement (bb) Parties to the agreement	Consideration (RMB), basis of consideration and date of settlement of cash payment (or, if by installment, last date of settlement of cash payment)	Manner of payment	Commerce Authority which approved the transfer of the equity interest concerned, and relevant date of approval	Local AIC which registered the transfer of the equity interest concerned, and relevant date of filing
(a) 49% equity interest (with nominal value of RMB392 million) in Conch Holdings held by CV Investment	(aa) June 8, 2013 (bb) CV Investment (as vendor) and Conch Venture Wuhu (as purchaser)	RMB766.45 million (based on historical book value of investment as at December 31, 2012), June 30, 2013	Cash payment of about RMB16.45 million and assumption of indebtedness of RMB750 million	N.A.	Wuhu AIC on June 13, 2013
(b) 75% equity interest (with nominal value of RMB165.4 million) in HC Port held by CV Investment	(aa) June 20, 2013 (bb) CV Investment (as vendor) and Conch Venture Wuhu (as purchaser)	RMB165.4 million (based on book value of investment as at December 31, 2012), August 8, 2013	(Note)	Jiangsu Provincial Commerce Authority on July 16, 2013	Yangzhou AIC on July 31, 2013
(c) 51% equity interest (with nominal value of RMB51 million) in CK Engineering held by CV Investment	(aa) July 4, 2013 (bb) CV Investment (as vendor) and Conch Venture Wuhu (as purchaser)	RMB54.8 million (based on book value of investment as at December 31, 2012), August 8, 2013	(Note)	Anhui Provincial Commerce Authority on July 19, 2013	Wuhu AIC on July 26, 2013
(d) 51% equity interest (with nominal value of RMB51 million) in CK Equipment held by CV Investment	(aa) July 4, 2013 (bb) CV Investment (as vendor) and Conch Venture Wuhu (as purchaser)	RMB53.9 million (based on book value of investment as at December 31, 2012), August 8, 2013	(Note)	Anhui Provincial Commerce Authority on July 19, 2013	Wuhu AIC on July 26, 2013
(e) Entire equity interest in Conch Venture Wuhu	(aa) July 8, 2013 (bb) CV Investment (as vendor) and Conch Venture Green (as purchaser)	RMB100 million (based on the face value of the registered capital in Conch Venture Wuhu), August 12, 2013	Cash	N.A.	Wuhu AIC on July 11, 2013

Note: The aggregate considerations for the three transfers mentioned in item (b), (c) and (d) are about RMB274 million and its manner of settlement is (aa) payment by cash by Conch Venture Wuhu to CV Investment as to RMB74 million, and (bb) Conch Venture Wuhu's assumption of indebtednesses owing by CV investment to certain banks in the PRC, Please refer to the section headed "History, Development and Reorganisation — 5. Acquisition of assets in the PRC" in the prospectus.

1.6 Changes in share capital of our subsidiaries

Our subsidiaries are listed in the Accountants' Report set out in Appendix I to this prospectus.

Save for the alterations described in paragraphs 1.4 and 1.5 above, there is no alteration in the share capital of our subsidiaries which took place within the two years immediately preceding the date of this prospectus.

1.7 Repurchases by our Company of our own securities

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association of our Company, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, under the Companies Law any repurchases by our Company may be made out of our Company's funds which would otherwise be available for dividend or distribution, out of our Company's share premium account, out of the proceeds of a new issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of our Company's share premium account or, if authorised by the Articles, and subject to the Companies Law, out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock

Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) Connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for repurchases

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors have sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period.

However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of 1,765 million Shares in issue immediately following completion of the Global Offering, could accordingly result in up to approximately 176.5 million Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in Hong Kong.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Accordingly, a Shareholder or a group of Shareholders acting in concert 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. Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

2.1 Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the two Pre-IPO Investment Agreements, whose terms are summarised in the section headed “History, Development and Reorganisation — Pre-IPO Investments”;
- (b) an agreement dated June 8, 2013 and made between CV Investment (as vendor) and Conch Venture Wuhu (as purchaser) pursuant to which CV Investment has agreed to sell to Conch Venture Wuhu 49% of the total registered capital in Conch Holdings at a consideration of RMB766,445,373.60, which is provided to be settled in the manner as mentioned in the paragraph (ii) of the section headed “History, Development and Reorganisation — Reorganisation — 5. Acquisition of assets in the PRC”;
- (c) an agreement dated June 20, 2013 and made between CV Investment (as vendor) and Conch Venture Wuhu (as purchaser) pursuant to which CV Investment has agreed to sell to Conch Venture Wuhu 75% of the registered capital in HC Port at a consideration of RMB165,375,000.00;
- (d) an agreement dated July 4, 2013 and made between CV Investment (as vendor) and Conch Venture Wuhu (as purchaser) pursuant to which CV Investment has agreed to sell to Conch Venture Wuhu 51% of the registered capital in CK Engineering at a consideration of RMB54,766,455.42;
- (e) an agreement dated July 4, 2013 and made between CV Investment (as vendor) and Conch Venture Wuhu (as purchaser) pursuant to which CV Investment has agreed to sell to Conch Venture Wuhu 51% of the registered capital in CK Equipment at a consideration of RMB53,934,232.93;
- (f) an agreement dated July 8, 2013 and made between CV Investment (as vendor) and Conch Venture Green (as purchaser) pursuant to which CV Investment has agreed to sell to Conch Venture Green the entire registered capital in Conch Venture Wuhu at a consideration of RMB100 million;
- (g) an agreement dated July 16, 2013 and made between HLGH Investment (as lender) and our Company (as borrower) pursuant to which HLGH Investment agreed to lend HK\$99.1 million to the Company as shareholder’s loan;
- (h) an agreement for financing arrangement dated July 25, 2013 and made between CV Investment and Conch Venture Wuhu pursuant to which it was agreed that the aggregate consideration for the acquisition of interests in CK Engineering, CK Equipment and HC Port by Conch Venture Wuhu in the sum of RMB274,075,688.35 would be settled in the manner as mentioned in paragraph (iv) of the section headed “History, Development and Reorganisation — Reorganisation — 5. Acquisition of assets in the PRC”;

- (i) a deed of non-compete and other undertakings dated December 3, 2013 executed by HLGH PTC, HLGH Fixed Investment, HLGH Investment and Liu Yi in favor of our Company, details of which are set out in the paragraph headed “Competition and Conflict of Interests — Undertakings given by Controlling Shareholders” of the section headed “Relationship with Controlling Shareholders” in this prospectus;
- (j) a deed of indemnity dated December 3, 2013 executed by HLGH PTC, HLGH Fixed Investment, HLGH Investment and Liu Yi in favor of our Company (for ourselves and as trustee for our subsidiaries stated therein) containing the indemnities more particularly referred to in the paragraph entitled “Tax and Other Indemnities” of this Appendix;
- (k) a cornerstone investor placing agreement dated December 4, 2013 and made between the Company, China National Building Material Company Limited, the Sole Sponsor and Deutsche Bank AG, Hong Kong Branch (“DB–HK”) pursuant to which China National Building Material Company Limited has conditionally agreed to subscribe for 55 million Offer Shares at the final Offer Price;
- (l) a cornerstone investor placing agreement dated December 4, 2013 and made between the Company, Asia Cement Corporation, the Sole Sponsor and the Joint Global Coordinators, pursuant to which Asia Cement Corporation has conditionally agreed to subscribe for 22 million Offer Shares at the final Offer Price;
- (m) a cornerstone investor placing agreement dated November 27, 2013 and made between the Company, Sagemore Assets Limited, the Sole Sponsor and DB–HK pursuant to which Sagemore Assets Limited has conditionally agreed to subscribe for such number of Shares as is equal to HK\$100,000,000 divided by the final Offer Price (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee), which number will be rounded down to the nearest whole board lot of 500 Shares;
- (n) a cornerstone investor placing agreement dated December 4, 2013 and made between the Company, Gaoling Fund, L.P., the Sole Sponsor and DB–HK pursuant to which Gaoling Fund, L.P. has conditionally agreed to subscribe for 22 million Offer Shares at the final Offer Price;
- (o) a cornerstone investor placing agreement dated December 4, 2013 and made between the Company, TCC Investment Corp, the Sole Sponsor and DB–HK pursuant to which TCC Investment Corp has conditionally agreed to subscribe for 28 million Offer Shares at the final Offer Price; and
- (p) the Hong Kong Underwriting Agreement.

2.2 Intellectual property rights of our Group

As at the Latest Practicable Date, our Company had registered or had applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As at the Latest Practicable Date, members of our Group had not registered any trademarks.

(b) Domain Names

As at the Latest Practicable Date, our Group registered the following domain name:

<u>Domain name</u>	<u>Registrant</u>	<u>Date of Registration</u>	<u>Expiry date</u>
www.conchventure.com	Conch Venture Green	August 22, 2013	August 22, 2020

(c) Patents

As at the Latest Practicable Date, members of our Group were registered proprietors of the following patents (whose places of registration are all in the PRC) which are material to our business:

<u>Serial no.</u>	<u>Patent</u>	<u>Type</u>	<u>Other registered proprietor(s) (if any)</u>	<u>Registration number</u>	<u>Duration of validity</u>
1.	Cement residual heat collection system and technology (水泥餘熱回收系統及其餘熱回收方法)	Invention Patent		ZL200710133761.4	September 29, 2007 to September 28, 2027
2.	Heating surface suspension device of cement kiln inlet residual heat boiler and its vibrator and vibration technology (一種水泥窯尾餘熱鍋爐受熱面懸掛結構)	Invention Patent		ZL200810196306.3	September 2, 2008 to September 1, 2028
3.	Structure of heat converter of kiln head steamer for cement kiln residual heat power generation (一種水泥窯餘熱發電窯頭鍋爐蒸發器換熱管的佈置結構)	Invention Patent		ZL200810196313.3	September 2, 2008 to September 1, 2028
4.	Testing method of cement kiln residual heat power generation capacity (水泥窯餘熱發電性能測試方法)	Invention Patent		ZL200810196543.X	September 10, 2008 to September 9, 2028
5.	Waste gasification furnace (垃圾氣化爐)	Invention Patent	Conch Holdings	ZL201010234500.3	July 21, 2010 to July 20, 2030
6.	Header welding controller (一種防止聯箱焊接變形的裝置)	Utility model		ZL201020254068.X	July 8, 2010 to July 7, 2020
7.	Boiler tube bundle suspension processor (一種鍋爐管排吊梁加工裝置)	Utility model		ZL201020254082.X	July 8, 2010 to July 7, 2020
8.	Boiler residue discharge device (爐渣排出裝置)	Utility model	Tongling Conch	ZL201020268220.X	July 21, 2010 to July 20, 2020
9.	Waste disposal system (垃圾處理系統)	Utility model	Conch Holdings, Conch Design Institute	ZL201020268259.1	July 21, 2010 to July 20, 2020
10.	Waste feeder (垃圾供料裝置)	Utility model		ZL201020268270.8	July 21, 2010 to July 20, 2020
11.	Waste incinerator (一種垃圾焚燒裝置)	Utility model		ZL201020527518.8	September 8, 2010 to September 7, 2020
12.	Factory (廠房)	Industrial Design	Conch Design Institute, Tongling Conch	ZL201030247219.4	July 21, 2010 to July 20, 2020
13.	Separator of steam-separating drum (一種汽包的汽水分離裝置)	Invention Patent		ZL201110154927.7	June 10, 2011 to June 9, 2021

Serial no.	Patent	Type	Other registered proprietor(s) (if any)	Registration number	Duration of validity
14.	Separator of steam-separating drum (汽包的汽水分離裝置)	Utility model		ZL201120193769.1	June 10, 2011 to June 9, 2021
15.	Raw material millstone (一種原料磨磨盤)	Utility model		ZL201120193770.4	June 10, 2011 to June 9, 2021
16.	Inspection device of vertical mill roll (一種立磨輥體檢驗裝置)	Utility model		ZL201120193862.2	June 10, 2011 to June 9, 2021
17.	Inspection device of vertical mill roll sheet (一種立磨輥皮檢驗裝置)	Utility model		ZL201120193863.7	June 10, 2011 to June 9, 2021
18.	Measuring device of vertical mill roll sheet surface overlay (一種立磨輥皮堆焊層測量裝置)	Utility model		ZL201220089706.6	August 9, 2012 to August 8, 2022
19.	Measuring device of rolling plate surface overlay (一種磨盤襯板堆焊層測量裝置)	Utility model		ZL201220089908.0	March 12, 2012 to March 11, 2022
20.	Installation device of pin shaft of hydraulic cylinder (一種液壓缸銷軸安裝裝置)	Utility model		ZL201220089911.2	March 12, 2012 to March 11, 2022
21.	Transportation auxiliary of wind power generator (一種風力發電機機艙運輸輔具)	Utility model		ZL201220221887.3	May 17, 2012 to May 16, 2022
22.	Wind turbine rotor (一種風力發電輪轂翻轉裝置)	Utility model		ZL201220221942.9	May 17, 2012 to May 16, 2022
23.	Vertical mill roll overlay welding (立磨輥胎堆焊工裝)	Utility model		ZL201220413214.8	August 20, 2012 to August 19, 2022
24.	Muffler of electrical melting and explosion machine tools (一種電熔爆機床降噪音裝置)	Utility model		ZL201220426489.5	August 27, 2012 to August 26, 2022
25.	Overlay welding device of extrusion roll sleeve (一種擠壓輥套堆焊裝置)	Utility model		ZL201220426807.8	August 27, 2012 to August 26, 2022
26.	Vertical mill (一種研磨立磨)	Utility model		ZL201220625336.3	November 22, 2012 to November 21, 2022
27.	Mill roll transportation device (一種磨輥運輸裝置)	Utility model		ZL201220631500.1	November 26, 2012 to November 25, 2022
28.	New type of energy-saving coal mill (一種新型節能煤磨)	Utility model		ZL201220629317.8	November 26, 2012 to November 25, 2022
29.	Vertical mill material separation device (一種立磨分料裝置)	Utility model		ZL201220729320.7	November 26, 2012 to November 25, 2022
30.	Vertical mill motor base fastening device (一種立磨電機底座固定裝置)	Utility model		ZL201220672417.9	December 8, 2012 to December 7, 2022
31.	Transportation and fixed frame of residual heat boiler tube bundle (一種餘熱鍋爐管排的運輸及固定箱架)	Utility model		ZL201220672713.9	December 8, 2012 to December 7, 2022
32.	Vertical mill vibration feeder (一種立磨物料振動給料裝置)	Utility model		ZL201220728505.6	December 26, 2012 to December 25, 2022
33.	Mill spillage cleaner (一種清理溢出磨盤物料的機構)	Utility model		ZL201220728994.5	December 26, 2012 to December 25, 2022
34.	Vertical mill powder concentrator (一種立磨選粉裝置)	Utility model		ZL201220729278.9	December 26, 2012 to December 25, 2022

Serial no.	Patent	Type	Other registered proprietor(s) (if any)	Registration number	Duration of validity
35.	Vertical mill roll (一種立磨磨輥裝置)	Utility model		ZL201220729317.5	December 26, 2012 to December 25, 2022
36.	Waste anti-clogging device (垃圾防堵裝置)	Invention Patent	Tongling Conch	ZL201010234358.2	July 21, 2010 to July 20, 2030
37.	Dilution cooling device (稀釋冷卻裝置)	Invention Patent	Tongling Conch, Conch Design Institute	ZL201010234469.3	July 21, 2010 to July 20, 2030

As at the Latest Practicable Date, members of our Group made the following patent applications in the PRC, which are material to our business, whose registration vetting process are pending:

Serial no.	Patent application	Type	Other applicant(s) (if any)	Application number	Date of application
1.	Waste gasification furnace with inspection device (帶有檢測裝置的垃圾氣化爐)	Invention Patent	Conch Design Institute, Tongling Conch	201010234327.7	July 21, 2010
2.	Boiler residue discharge device (爐渣排出裝置)	Invention Patent	Tongling Conch	201010234466.X	July 21, 2010
3.	Waste handling equipment (廢棄物處理設備)	Invention Patent	Kawasaki Partner, Conch Holdings, Conch Design Institute	201010514607.3	October 21, 2010
4.	Waste handling equipment for transferring gas generated from thermal decomposition of waste to cement furnace (將廢棄物的熱分解氣體導入水泥分解爐的廢棄物處理設備)	Invention Patent	Kawasaki Partner, Conch Holdings, Conch Design Institute, Tongling Conch	201010532911.0	October 21, 2010
5.	Sludge handling equipment (污泥處理設備)	Invention Patent	Kawasaki Partner, Conch Holdings, Conch Design Institute, Tongling Conch	201110442618.X	December 27, 2011
6.	Vertical mill (研磨立磨)	Invention Patent		201210480032.7	November 22, 2012

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

3.1 Disclosure of Interests

(a) *Interests of the Directors and the chief executive of our Company*

Immediately following completion of the Global Offering and without taking into account any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option, the interests or short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were 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 entered into in the register referred to in that section, 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, to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

<u>Name of Director</u>	<u>Nature of interest/Capacity</u>	<u>Relevant company (including associated corporations)</u>	<u>Number of shares (or, as the case may be, amount of registered capital) in the relevant company</u>	<u>Approximate percentage of shareholding</u>
Mr. Ji Qinying (<i>Note (i)</i>)	Interest in controlled corporation	Our Company	61,080,000	3.46%
	Interest of spouse (<i>Note (i)</i>)	Our Company	33,752	0.002%
Mr. Li Daming (<i>Note (ii)</i>)	Interest in associated corporation	Our Company	6,112,563	0.35%
	A beneficiary of a fixed trust (i.e. the HLGH Fixed Trust)			
Mr. Li Jian (<i>Note (iii)</i>)	Interest in associated corporation	Our Company	7,646,370	0.43%
	A beneficiary of a fixed trust (i.e. the HLGH Fixed Trust)			
	Interest of spouse (<i>Note (iii)</i>)	Our Company	105,346	0.006%
Mr. Guo Jingbin (<i>Note(iv)</i>) . . .	Interest in controlled corporation	Our Company	62,680,000	3.55%

Notes:

- (i) These Shares are owned by Golden Convergence which is solely owned by Mr. Ji Qinying. Ms. Yan Zi is the spouse of Mr. Ji who is taken to be interested in such Shares to which she is entitled as a beneficiary under the HLGH Fixed Trust.
- (ii) Mr. Li Daming is a fixed beneficiary of the HLGH Fixed Trust, whose trustee is HLGH PTC and the relevant Shares are held by HLGH Fixed Investment. As at the Latest Practicable Date, Mr. Li Daming held 310,000 Conch Cement A-Shares in Conch Cement, being an associated company of our Company under the SFO.
- (iii) Mr. Li Jian is a fixed beneficiary of the HLGH Fixed Trust, whose trustee is HLGH PTC and the relevant Shares are held by HLGH Fixed Investment. Ms. Wang Zhenying is spouse of Mr. Li Jian who is taken to be interested in such Shares to which she is entitled as a beneficiary under the HLGH Fixed Trust. As at the Latest Practicable Date, Mr. Li Jian held 417,000 Conch Cement A-Shares in Conch Cement, being an associated company of our Company under the SFO.
- (iv) These Shares are owned by Splendor Court which is solely owned by Mr. Guo Jingbin.

Save as disclosed in the section headed “History, Development and Reorganisation” in and in Appendix V to this prospectus, none of our Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Interests of the substantial Shareholders

So far as is known to any Director or chief executive of our Company, immediately following completion of the Global Offering and without taking into account any Shares which may be allotted and issued or sold pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, the following persons (other than a Director or chief executive of our Company) will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long Positions in the Shares and the underlying Shares

Name	Number of Shares (Note 1)	Approximate percentage of shareholding	Capacity/nature of interest
HLGH PTC (Note 2 and 3)	855,015,837 (L)	48.44%	Interest in a controlled corporation and trustee
HLGH Fixed Investment (Note 2)	703,165,206 (L)	39.84%	Beneficial owner
HLGH Investment (Note 3)	151,850,631 (L)	8.60%	Beneficial owner
Mr. Liu Yi (Note 4)	855,015,837 (L)	48.44%	Sole shareholder and director of HLGH PTC, and settlor of both the HLGH Fixed Trust and the HLGH Discretionary Trust
Ms. Wang Ning (Note 4) . .	855,015,837 (L)	48.44%	Interest of spouse (spouse of Mr. Liu Yi)
NGGH PTC (Note 5)	136,344,891 (L)	7.72%	Interest in a controlled corporation and trustee
NGGH Investment (Note 5)	136,344,891 (L)	7.72%	Beneficial owner
Mr. Rao Peijun (Note 6) . .	136,344,891 (L)	7.72%	Sole shareholder and director of NGGH PTC, and settlor of the NGGH Trust
Ms. Chen Lijun (Note 6) . .	136,344,891 (L)	7.72%	Interest of spouse (spouse of Mr. Rao Peijun)

Notes:

- (1) The letter "L" denotes the person's long position in the Shares. This does not take account of up to 39.75 million Shares which may be the subject of the Stock Borrowing Agreement to be entered into between the Stabilizing Manager (as borrower) and HLGH Fixed Investment (as lender).
- (2) HLGH Fixed Investment is a wholly owned subsidiary of HLGH PTC. Both HLGH Fixed Investment and the Shares owned by it form part of the trust assets of the HLGH Fixed Trust, which was established by Mr. Liu Yi as settlor and whose trustee is HLGH PTC. The HLGH Fixed Trust is a fixed trust and, as at the Latest Practicable Date, it had 3,593 fixed beneficiaries, each of whose attributable interest in the Company ranged from less than 0.01% to 2.05%. All these fixed beneficiaries are SA Member Beneficiaries of SA Conch Group.
- (3) HLGH Investment is a wholly owned subsidiary of HLGH PTC. Both HLGH Investment and the Shares owned by it form part of the trust assets of the HLGH Discretionary Trust, which was established by Mr. Liu Yi as settlor and whose trustee is HLGH PTC. The HLGH Discretionary Trust is a discretionary trust and its discretionary objects are the HLGH Discretionary Objects. For further details of the HLGH Discretionary Trust, please refer to the section headed "History, Development and Reorganisation — Reorganisation — 6. Establishment of the SA BVI Trusts" in this prospectus.

- (4) HLGH PTC is a trustee company incorporated in BVI. Mr. Liu Yi is the sole shareholder of HLGH PTC. He is the sole director of each of HLGH PTC, HLGH Fixed Investment and HLGH Investment. He is also the settlor of both the HLGH Fixed Trust and the HLGH Discretionary Trust. Mr. Liu is deemed to be interested in 151,850,631 Shares in his capacity of settlor of the HLGH Discretionary Trust, and is deemed to be interested in 703,165,206 Shares in his capacity of the sole director of HLGH PTC and HLGH Fixed Investment. Ms. Wang Ning is the spouse of Mr. Liu Yi, and accordingly she is deemed to be interested in the aggregate of 855,015,837 Shares by virtue of the SFO.
- (5) NGGH Investment is a wholly owned subsidiary of NGGH PTC. NGGH Investment and the Shares owned by it form part of the trust assets of the NGGH Trust, which was established by Mr. Rao Peijun as settlor and whose trustee is NGGH PTC. The NGGH Trust is a fixed trust and, as at the Latest Practicable Date, it had 1,424 fixed beneficiaries, each of whose attributable interest in the Company ranged from less than 0.01% to 0.19%. All these fixed beneficiaries are SA Member Beneficiaries of SA Ningguo.
- (6) NGGH PTC is a trustee company incorporated in BVI. Mr. Rao Peijun is the sole shareholder of NGGH PTC. He is the sole director of each of NGGH PTC and NGGH Investment. He is also the settlor of the NGGH Trust. Mr. Rao Peijun is deemed to be interested in 136,344,891 Shares in his capacity of the sole director of NGGH PTC and NGGH Investment. Ms. Chen Lijun is the spouse of Mr. Rao Peijun, and accordingly she is deemed to be interested in the said 136,344,891 Shares by virtue of the SFO.

In addition to the above and so far as our Directors are aware, immediately following completion of the Global Offering, the following entities are directly interested in 10% or more of the nominal value of any class of equity capital carrying rights to vote in all circumstances at general meetings of our subsidiaries:

<u>Name of our subsidiary</u>	<u>Substantial shareholder of the subsidiary</u>	<u>Percentage shareholding</u>
CK Engineering	Kawasaki HI (<i>Note 1</i>)	49%
CK Equipment	Kawasaki HI (<i>Note 1</i>)	49%
HC Port.	Prosperity Trading (<i>Note 2</i>)	25%

Notes:

- (1) Kawasaki HI is a company incorporated in Japan and whose shares are listed on the Tokyo Stock Exchange (stock code: TYO:7012).
- (2) Prosperity Trading Limited is an indirect non-wholly owned subsidiary of Prosperity International Holdings (H.K.) Limited, a company incorporated in Bermuda and whose shares are listed on the Stock Exchange (stock code: 803).

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

3.2 Directors' service contracts

Executive Directors

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from December 1, 2013.

Each of our executive Directors is entitled to a basic salary as set out below (subject to an annual increment of not more than 10% of the annual salary immediately prior to such increase after December 31, 2014 at the discretion of our Directors). In addition, each of the executive

Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of our Company may not exceed 10% of the audited combined net profit of our Group (after taxation, minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The current basic annual salaries of our executive Directors are as follows:

Name	Annual salary (RMB)
Ji Qinying	750,000
Li Jian	650,000
Li Daming	650,000

Non-executive Director and INEDs

Each of our non-executive Director and our INEDs has been appointed for an initial term of three years commencing from December 3, 2013. Our non-executive Director is entitled to a director's fee of HK\$1,080,000 per annum. Each of our INEDs is entitled to a director's fee of HK\$150,000 per annum. Save for Directors' fees, none of our non-executive Director or INEDs is expected to receive any other remuneration for holding their office as a non-executive Director or an INED.

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3.3 Directors' remuneration

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to the Directors in respect of each of the three financial years ended December 31, 2012 and the six months ended June 30, 2013 were approximately RMB0.53 million, RMB0.59 million, RMB0.55 million and RMB0.26 million, respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by the Directors (including the INEDs in their respective capacity as Directors) for the year ending December 31, 2013 are expected to be approximately RMB2.9 million.
- (iii) None of the Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended December 31, 2012 and the six months ended June 30, 2013 (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.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended December 31, 2012 and the six months ended June 30, 2013.

3.4 Disclaimers

Save as disclosed in the section headed “History, Development and Reorganisation — Establishment and major changes concerning members of our Group” and paragraph 1.2, 3.1 and 3.2 of this appendix to this prospectus:

- (a) none of the Directors or chief executive of our Company has any interests or short positions in the Shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, 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, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, once the Shares are listed on the Stock Exchange;
- (c) none of our Directors nor any of the persons listed in the section headed “Other Information — Qualifications of experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;
- (e) save in connection with Underwriting Agreements, none of the persons listed in the section headed “Other Information — Qualification of experts” below has 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 securities in any member of our Group;
- (f) save for the Underwriting Agreements, none of the persons listed in the section headed “Other Information — Qualifications of experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (g) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);

- (h) so far as is known to our Directors, none of our Directors or their associates or any Shareholder (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest customers or the five largest suppliers of our Group; and
- (i) none of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

4. SHARE OPTION SCHEME

4.1 Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by all our then Shareholders on December 3, 2013:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, the Directors and other selected participants for their contributions to our Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity ("**Invested Entity**") in which any member of our Group holds an equity interest;
- (bb) any non-executive directors (including INEDs) of our Company, any of our subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of our Group or any Invested Entity;
- (dd) any customer of any member of our Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (gg) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity;

- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of our Group.

(iii) Maximum number of the Shares

- (aa) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.
- (bb) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date ("**General Scheme Limit**").
- (cc) Subject to sub-paragraph (aa) above but without prejudice to sub-paragraph (dd) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
- (dd) Subject to sub-paragraph (aa) above and without prejudice to sub-paragraph (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in sub-paragraph (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the

options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (“**Individual Limit**”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders 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 exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to the Directors, chief executive or substantial shareholders of our Company or their respective associates

(aa) Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by INEDs (excluding INED(s) who or whose associates is/are the proposed grantee(s) of the options).

(bb) Where any grant of options to a substantial shareholder or an INED or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders in general meeting. Our Company must send a circular to the Shareholders. All connected persons of our Company must abstain from voting in favor at such 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. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an INED or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end

in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of the Shares

(aa) The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the articles of association of our Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members ("**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(x) Restrictions on the time of the offer for the grant of options

No offer for grant of options shall be made after inside information has come to its notice until it has announced the information. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for our Company to publish an announcement of its results for any year, half-year, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no option for the grant of options may be made.

The Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or

has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which the Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of takeover offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all the 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 concert with the offeror, our Company shall use all reasonable endeavors to procure that such offer is extended to all the grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

- (aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and

- (bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being or an independent financial advisor to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the options so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (iii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iv) any adjustment must be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial advisor must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the option period in respect of such option;

(bb) the expiry of the periods or dates referred to in paragraphs (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and

(cc) the date on which the Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) Miscellaneous

(aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.

(cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting.

4.2 Present status of the Share Option Scheme

(i) Approval of the Listing Committee required

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, 176,500,000 Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

(v) Compliance with Listing Rules

The Share Option Scheme complies with Chapter 17 of the Listing Rules.

5. TAX AND OTHER INDEMNITIES

Our Controlling Shareholders (the “**Indemnifiers**”) have entered into a deed of indemnity dated December 3, 2013 with and in favor of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (j) referred to in paragraph 2.1 above) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing whether or not the tax liabilities are chargeable against or attributable to any other person, firm, company or corporation; and
- (b) tax liabilities (including all actual fines, penalties, costs, charges, expenses and interest relation to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date.

The Indemnifiers are under no liability under the deed of indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation audited accounts of any member of our Group for any accounting period up to June 30, 2013;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on July 1, 2013 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after July 1, 2013;

- (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before June 30, 2013 or pursuant to any statement of intention made in this prospectus; and
 - (iii) pursuant to the Reorganisation carried out by our Group; or
- (c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the deed of indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to June 30, 2013 which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, each of the Indemnifiers has also undertaken to us that he/it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

Pursuant to the deed of indemnity, the Indemnifiers have on a joint and several basis undertaken to indemnify each member of our Group against (a) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings which such member may incur, suffer, accrue, directly or indirectly, from any act of such member arising from or in connection with any non-compliance of such member on or before the date of Listing, including not having obtained all relevant approvals, permits, licenses and/or certificates for conducting its businesses, or all litigation, arbitration, claims, counter-claims, actions, complaints, demands, judgments and/or legal proceedings by or against any of the companies which was issued, accrued and/or arising from any act of any of such members at any time on or before the date of Listing; and (b) any penalty which may be imposed on any member of our Group, or any costs, expenses and losses which such company may suffer in connection with such penalty, due to such company's failure to duly make all relevant filings or reports and supply all other information required to be supplied to any relevant PRC governmental authority, including but not limited to the relevant tax bureau and relevant administration of industry and commerce, or to observe any laws, regulations or rules in the PRC in this regard.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands or the BVI is likely to fall on our Group members.

6. OTHER INFORMATION

6.1 Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

6.2 Litigation

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group member, that would have a material adverse effect on our results of operations or financial condition of our Group.

6.3 Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US\$9,000 and are payable by our Company.

6.4 Promoters

Our Company has no promoter for the purpose of the Listing Rules.

6.5 Agency fees or commissions received

Except as disclosed in the section headed “Underwriting — Underwriting Arrangements and Expenses — Commission and Expenses” in this prospectus, no commissions, discounts, brokerages or other special terms have been granted 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.

6.6 Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

<u>Name</u>	<u>Qualification</u>
Deutsche Securities Asia Limited	Licensed under the SFO for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities as defined under the SFO
KPMG	Certified Public Accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands barristers and attorneys
Jingtian & Gongcheng	Qualified PRC lawyers
Roland Berger	Market research and consulting company

6.7 Consents of experts

Each of the experts referred to in paragraph 6.6 headed “Qualifications of experts”, has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

6.8 Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, 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.

6.9 Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *The Cayman Islands*

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(c) *Consultation with professional advisors*

Intending holders of Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, the Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

6.10 Miscellaneous

- (a) Save as disclosed in the subsections headed “Establishment and major changes concerning members of our Group” and “Reorganisation” under the section headed “History, Development and Reorganisation” and paragraphs 1.2 and 1.4 of this appendix, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of our 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 our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
 - (iv) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;
 - (v) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares;
 - (vi) 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; and
 - (vii) our Company has no outstanding convertible debt securities.
- (b) Our principal register of members will be maintained by our principal registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.
- (c) The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2013 (being the date to which the latest audited combined financial statements of our Group were made up).

6.11 Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the sub-paragraph headed “Consents of experts” in the paragraph headed “Other information” in Appendix V to this prospectus; and
- (c) copies of the material contracts referred to in the sub-paragraph headed “Summary of material contracts” in the paragraph headed “Further information about our business” in Appendix V to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including December 23, 2013:

- (a) the Memorandum of Association and the Articles;
- (b) the accountants’ report prepared by KPMG, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statement of companies comprising our Group for each of the three financial years ended December 31, 2012 and the six months ended June 30, 2013 (or such period since their respective dates of incorporation of the relevant member of our Group, when it is shorter), if any;
- (d) the review report on the interim report of Conch Cement and its subsidiaries for the 9 months ended September 30, 2013 prepared by KPMG, the text of which is set out in Appendix II to this prospectus;
- (e) the report on unaudited pro forma financial information prepared by KPMG, the text of which is set out in Appendix III to this prospectus;
- (f) the Companies Law;
- (g) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited, summarizing certain aspects of Cayman Island company law as referred to in Appendix IV to this prospectus;
- (h) the legal opinion prepared by the PRC legal advisor, Jingtian & Gongcheng, in respect of certain aspects of our Group;
- (i) the Roland Berger Report;
- (j) the material contracts referred to in sub-paragraph headed “Summary of material contracts” under the paragraph headed “Further information about our business” in Appendix V to this prospectus;

- (k) the service contracts and appointment letters referred to in the sub-paragraph headed “Directors’ service contracts” under the paragraph headed “Further information about our Directors and Substantial Shareholders” in Appendix V to this prospectus;
- (l) the rules of the Share Option Scheme; and
- (m) the written consents referred to in the sub-paragraph headed “Consents of experts” under the paragraph headed “Other information” in Appendix V to this prospectus.



China Conch Venture Holdings Limited
中國海螺創業控股有限公司