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## **Asia Cement (China) Holdings Corporation**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 743)**

### **UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

#### **SUMMARY**

The directors (“Directors”) of Asia Cement (China) Holdings Corporation (“the Company”) announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2010. This announcement is made as part of the Company’s practice to publish its financial results quarterly and pursuant to paragraph 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The unaudited consolidated profit attributable to owners of the Company for the nine months ended 30 September 2010 was approximately RMB168.4 million.

The Directors of the Company are making this announcement of the Group’s unaudited consolidated results for the nine months ended 30 September 2010 in line with its practice to publish the Group’s financial results quarterly and pursuant to paragraph 13.09 of the Listing Rules.

## Condensed Consolidated Income Statement

	<b>For the nine months ended 30 September</b>	
	<b>2010</b>	2009
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Revenue	<b>3,675,792</b>	3,059,802
Cost of sales	<b>3,071,458</b>	(2,135,323)
Gross profit	<b>604,334</b>	924,479
Other income	<b>60,937</b>	81,356
Other expenses and losses	<b>(6,075)</b>	(54,933)
Distribution and selling expenses	<b>(191,965)</b>	(166,418)
Administrative expenses	<b>(128,644)</b>	(128,809)
Share of results of jointly controlled entities	<b>(1,131)</b>	(496)
Finance costs	<b>(123,514)</b>	(119,156)
Profit before taxation	<b>213,942</b>	536,023
Income tax expenses	<b>(41,755)</b>	(55,529)
Profit for the period	<b>172,187</b>	480,494
Profit for the period attributable to:		
Owners of the Company	<b>168,355</b>	477,458
Minority interests	<b>3,832</b>	3,036
	<b>172,187</b>	480,494
	<i>RMB</i>	<i>RMB</i>
Earnings per share:		
Basic	<b>0.108</b>	0.307
Diluted	<b>0.108</b>	0.307

## Condensed Consolidated Statement of Financial Position

	<b>30 September 2010 RMB'000 (Unaudited)</b>	31 December 2009 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>10,037,651</b>	8,844,152
Quarry	<b>171,218</b>	140,661
Interests in jointly controlled entities	<b>44,896</b>	46,026
Prepaid lease payments	<b>497,645</b>	392,470
Deposit paid for land use rights	<b>12,950</b>	101,143
Deposits paid for mining rights	–	24,642
Deferred tax assets	<b>12,953</b>	14,029
Goodwill	<b>150,182</b>	–
Long term receivables	<b>56,030</b>	56,152
	<b>10,983,525</b>	9,619,275
<b>CURRENT ASSETS</b>		
Inventories	<b>605,924</b>	483,989
Trade and other receivables	<b>1,868,897</b>	1,115,751
Long term receivables – due within one year	<b>11,030</b>	11,030
Tax recoverable	<b>9,949</b>	5,836
Prepaid lease payments	<b>13,278</b>	9,919
Derivative financial instrument	–	130
Restricted bank deposits	<b>56,837</b>	82,340
Bank balances and cash	<b>485,416</b>	1,331,266
	<b>3,051,331</b>	3,040,261
<b>CURRENT LIABILITIES</b>		
Trade and other payables	<b>1,036,918</b>	673,771
Amount due to related companies	<b>4,983</b>	6,111
Tax payables	<b>16,428</b>	25,768
Derivative financial instruments	<b>8,125</b>	–
Bank borrowings – due within one year	<b>1,126,886</b>	947,155
	<b>2,193,340</b>	1,652,805
<b>NET CURRENT ASSETS</b>	<b>857,991</b>	1,387,456

	<b>30 September 2010 RMB'000 (Unaudited)</b>	31 December 2009 RMB'000 (Audited)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>11,841,516</b>	11,006,731
<b>NON-CURRENT LIABILITIES</b>		
Other payables	<b>15,000</b>	18,000
Bank borrowings – due after one year	<b>4,698,749</b>	3,911,519
Deferred tax liabilities	<b>5,038</b>	10,121
	<b>4,718,787</b>	3,939,640
<b>NET ASSETS</b>	<b>7,122,729</b>	7,067,091
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>139,549</b>	139,549
Reserves	<b>6,810,996</b>	6,794,609
Equity attributable to owners of the Company	<b>6,950,545</b>	6,934,158
Minority interests	<b>172,184</b>	132,933
<b>TOTAL EQUITY</b>	<b>7,122,729</b>	7,067,091

#### Condensed Consolidated Statement of Cash Flows

	<b>For the nine months ended 30 September</b>	
	<b>2010 RMB'000 (Unaudited)</b>	2009 RMB'000 (Unaudited)
Net cash from operating activities	<b>198,769</b>	673,271
Net cash used in investing activities	<b>(1,573,489)</b>	(1,538,886)
Net cash from financing activities	<b>528,870</b>	291,744
Net decrease in cash and cash equivalents	<b>(845,850)</b>	(573,871)
Cash and cash equivalents at beginning of the year	<b>1,331,266</b>	2,078,228
Cash and cash equivalents at 30 September	<b>485,416</b>	1,504,357

The Group's unaudited consolidated results for the nine months ended 30 September 2010 have been prepared in accordance with the same accounting policies adopted by the Group as disclosed in the last annual report for the year ended 31 December 2009.

The Directors do not recommend payment of a dividend in respect of the first nine months of 2010 (2009: Nil).

## **Business Review and Prospects**

During the third quarter of 2010, the Group maintained its leading position in the market. While achieving a 100% production-to-sales ratio, the Group's production capacity and market coverage continued to increase. With various transportation, new rural development and infrastructure projects launched in Sichuan and Central and Lower Yangtze River Regions, the Group continued the growth momentum of the first half of the year, with significant growth in production and sales volume.

For the third quarter of 2010, the PRC economy continued to grow rapidly. Benefiting from the ongoing strong investments in infrastructure projects, the deepening rural market development and the State's increased efforts in pushing ahead the social welfare housing and renovation project of shanty areas, the demand for cement continued to grow. Meanwhile, with the PRC government accelerating the elimination of obsolete production capacity, 762 outdated cement enterprises with a total production capacity of 107,277,000 tonnes were closed down by the end of September 2010, and thus improved the balance of supply and demand. During the first three quarters of 2010, the Group's sales volume of cement products amounted to 14,000,000 tonnes, representing an increase of 35% as compared to that of the corresponding period of 2009. The increase in sales was due to the commencement of operation of No.3 new dry process rotary kiln at Sichuan Yadong Plant in March 2010, and No.1 new dry process rotary kiln at Huanggang Yadong Plant, and No.4 new dry process rotary kiln at Jiangxi Yadong Plant in May 2010 and the recent completion of acquisition of the set of production facilities of Wuhan Yaxin Cement Co., Ltd (武漢亞鑫水泥有限公司). The Group's total rated annual clinker production capacity increased to 13,420,000 tonnes, with an actual clinker production volume of 15,850,000 tonnes per annum.

During the period under review, the Group's unaudited consolidated revenue amounted to RMB3,675.8 million, representing an increase of 20% over the corresponding period of last year. The growth in revenue was attributable to the increase in sales volume driven by the enhanced production capacity. During the period under review, gross profit decreased by 35% to RMB604.3 million, while gross profit margin amounted to 16%, which was 14 percentage points lower than that of the same period of last year. The adjustment in gross profit margin was attributable to (i) the influx of cement from other regions into Sichuan Province and increase in local production capacity which further pressurized the sales of manufacturers in Sichuan Province and caused cement prices to significantly drop since the beginning of the year; (ii) owing to seasonal and climatic factors, the demand for cement decreased, leading to a decline in cement price in the markets where the Group had presence; and (iii) during the period under review, the coal price was higher than that of the same period last year. During the period under review, the unaudited consolidated profit attributable to owners of the Company amounted to approximately RMB168.4 million, representing a decrease of 65% over the corresponding period of last year.

Looking ahead, the fourth quarter of 2010 is crucial for the “Eleventh Five Year Plan” to achieve its aim. With the acceleration of construction progress and the arrival of the busy season in the rural areas, the demand for cement will further surge. In order to achieve the energy saving and emission reduction targets, the PRC government put restrictions on power supply to the cement enterprises in certain provinces and cities. This will facilitate the rationalization of cement price. To capture this enormous market opportunity, the Group continues to carry out its production capacity and market expansion plans. Following the commencement of operation of No. 2 new dry process rotary kiln at Hubei Yadong Plant, which was completed in early October 2010. The Group has successfully installed 10 clinker production lines in China. The rated production capacity of clinker of the Group increased to 14,800,000 tonnes per year (with actual clinker production capacity reaching 17,500,000 tonnes per year). The No. 5 and No. 6 new dry process rotary kilns at Jiangxi Yadong Plant and No.3 new dry process rotary kiln at Hubei Yadong Plan are under construction or planning and the Group’s total cement production volume is expected to exceed 30,000,000 tonnes by 2014.

Under the backdrop of the country’s economic restructuring, the PRC government’s commitment to continue to carry out its policies to eliminate obsolete capacity and enhance efforts in saving energy and reducing emission will lead to a healthier operating environment for the cement industry. The Group will continue to streamline its management, fully capitalize production capacity, strictly control costs, improve operation quality so as to achieve its established goal of “100% production-to-sales ratio”. By leveraging the Group’s existing leading market position and proven success in the implementation of the aforesaid strategies, the profit prospects of the Group is promising.

By order of the Board  
**Asia Cement (China) Holdings Corporation**  
**Mr. Hsu, Shu-tong**  
*Chairman*

Hong Kong, 22 October 2010

*As at the date of this announcement, the executive Directors are Mr. CHANG Tsai-hsiung, Madam CHIANG SHAO Ruey-huey, Mr. CHANG Chen-kuen, Mr. LIN Seng-chang and Dr. WU Chung-lih, the non-executive Director and Chairman is Mr. HSU Shu-tong, the independent non-executive Directors are Mr. LIU Zhen-tao, Mr. LEI Qian-zhi, Mr. TSIM Tak-lung Dominic and Dr. WONG Ying-ho Kennedy.*