Asia Cement (China) Holdings Corporation

亞洲水泥(中國)控股公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 743

INTERIM REPORT 2010

Contents

Corporate Information	02
Financial Highlights	03
Condensed Consolidated Financial Statements	
Condensed Consolidated Statement of Comprehensive Income	04
Condensed Consolidated Statement of Financial Position	05
Condensed Consolidated Statement of Changes in Equity	06
Condensed Consolidated Statement of Cash Flows	07
Notes to the Condensed Consolidated Financial Statements	08
Management Discussion and Analysis	16
Other Information	20

Corporate Information

Board of Directors

Executive Directors

Mr. CHANG, Tsai-hsiung
Madam CHIANG SHAO, Ruey-huey
Mr. CHANG, Chen-kuen
Mr. LIN, Seng-chang
Dr. WU, Chung-lih

Non-executive Directors

Mr. HSU, Shu-tong (Chairman)

Independent non-executive Directors

Mr. LIU, Zhen-tao
Mr. LEI, Qian-zhi
Mr. TSIM, Tak-lung Dominic
Dr. WONG, Ying-ho Kennedy

Company Secretary

Mr. LO Wai Kit, *ACCA, FCPA, CFA*

Qualified Accountant

Mr. LO Wai Kit, *ACCA, FCPA, CFA*

Authorized Representatives

Madam CHIANG SHAO, Ruey-huey
Mr. LO Wai Kit

Members of Audit Committee

Mr. TSIM, Tak-lung Dominic (Chairman)
Mr. HSU, Shu-tong
Dr. WONG, Ying-ho Kennedy

Members of Remuneration Committee

Mr. HSU, Shu-tong (Chairman)
Mr. TSIM, Tak-lung Dominic
Dr. WONG, Ying-ho Kennedy

Members of Independence Committee

Mr. TSIM, Tak-lung Dominic
Dr. WONG, Ying-ho Kennedy
Mr. LIU, Zhen-tao

Registered Office

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

Principal Place of Business in the PRC

No. 6 Yadong Avenue
Ma-Tou Town, Ruichang City
Jiangxi Province, PRC

Principal Place of Business in Hong Kong

Portion of Unit B, 11th Floor
Lippo Leighton Tower
103 Leighton Road
Causeway Bay
Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
George Town
Grand Cayman
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

China Construction Bank
Bank of China
Bank of Communications

Hong Kong Legal Adviser

O' Melveny & Myers in association with Gordon Ng & Co.
31/F, AIA Central
1 Connaught Road Central
Hong Kong

Auditors

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

Stock Code

743

Company Website

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Contact Details

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Financial Highlights

	Notes	Six months ended 30 June 2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	% Change Increase/ (Decrease)
Revenue		**2,274,458**	1,974,242	15
Gross profit		**420,177**	626,832	(33)
Profit for the period		**141,708**	325,954	(57)
Profit attributable to owners of the Company		**140,225**	323,916	(57)
Gross profit margin		**18%**	32%	(44)
Net profit margin	1	**6%**	17%	(65)
Earning per share				
— Basic		**RMB0.090**	RMB0.208	(57)
— Diluted		**RMB0.090**	RMB0.208	(57)

	Notes	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)	
Total assets		**13,491,418**	12,659,536	7
Net assets		**7,054,233**	7,067,091	–
Liquidity and Gearing				
Current ratio	2	**1.25**	1.84	
Quick ratio	3	**0.99**	1.55	
Gearing ratio	4	**0.48**	0.44	

Notes:

1. Net profit margin is calculated as profit for the period divided by revenue.
2. Current ratio is calculated as current assets divided by current liabilities.
3. Quick ratio is calculated as current assets less inventories divided by current liabilities.
4. Gearing ratio is calculated as total liabilities divided by total assets.

Condensed
Consolidated Financial Statements

Interim Results

The board (the "Board") of directors (the "Directors") of Asia Cement (China) Holdings Corporation (the "Company"), together with its subsidiaries (collectively the "Group"), hereby announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2010 together with comparative figures for the corresponding period in 2009. These interim condensed consolidated financial statements for the six months ended 30 June 2010 have not been audited, but have been reviewed by the Audit Committee of the Company.

Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June	
		2010	2009
	Notes	**RMB'000**	RMB'000
		(unaudited)	(unaudited)
Revenue		**2,274,458**	1,974,242
Cost of sales		**(1,854,281)**	(1,347,410)
Gross profit		**420,177**	626,832
Other income		**44,388**	49,905
Other expenses and losses	5	**(860)**	(37,550)
Distribution and selling expenses		**(118,413)**	(108,012)
Administrative expenses		**(102,384)**	(85,876)
Share of results of jointly controlled entities		**(764)**	(308)
Finance costs		**(73,425)**	(84,024)
Profit before tax		**168,719**	360,967
Income tax expense	6	**(27,011)**	(35,013)
Profit for the period	7	**141,708**	325,954
Profit for the period attributable to:			
Owners of the Company		**140,225**	323,916
Minority interests		**1,483**	2,038
		141,708	325,954
		RMB	RMB
Earnings per share:	9		
Basic		**0.090**	0.208
Diluted		**0.090**	0.208

Condensed
Consolidated Financial Statements

Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	**9,641,825**	8,844,152
Quarry	11	**168,776**	140,661
Prepaid lease payments	12	**482,312**	392,470
Interests in jointly controlled entities		**45,262**	46,026
Deposits paid for land use rights		**12,950**	101,143
Deposits paid for mining rights		**—**	24,642
Deferred tax assets		**14,113**	14,029
Long term receivables		**56,138**	56,152
Other asset		**90,980**	—
		10,512,356	9,619,275
Current assets			
Inventories		**617,179**	483,989
Long term receivables — due within one year		**11,030**	11,030
Trade and other receivables	13	**1,442,201**	1,115,751
Tax recoverable		**9,949**	5,836
Prepaid lease payments	12	**13,278**	9,919
Derivative financial instrument		**—**	130
Restricted bank deposits	14	**126,644**	82,340
Time deposits		**20,000**	—
Bank balances and cash		**738,781**	1,331,266
		2,979,062	3,040,261
Current liabilities			
Trade and other payables	15	**962,528**	673,771
Amounts due to related companies		**4,527**	6,111
Tax payables		**18,443**	25,768
Derivative financial instruments		**536**	—
Bank borrowings — due within one year	16	**1,392,893**	947,155
		2,378,927	1,652,805
Net current assets		**600,135**	1,387,456
Total assets less current liabilities		**11,112,491**	11,006,731
Non-current liabilities			
Other payables	15	**15,000**	18,000
Bank borrowings — due after one year	16	**4,038,164**	3,911,519
Deferred tax liabilities		**5,094**	10,121
		4,058,258	3,939,640
Net assets		**7,054,233**	7,067,091
Capital and reserves			
Share capital	17	**139,549**	139,549
Reserves		**6,781,985**	6,794,609
Equity attributable to owners of the Company		**6,921,534**	6,934,158
Minority interests		**132,699**	132,933
Total equity		**7,054,233**	7,067,091

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Special reserve RMB'000	Revaluation reserve RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2009 (audited)	139,549	3,376,570	164,947	286,038	1,673,893	—	7,748	822,876	6,471,621	119,393	6,591,014
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	323,916	323,916	2,038	325,954
Dividend	—	—	—	—	—	—	—	(155,625)	(155,625)	—	(155,625)
Recognition of equity-settled share based payment	—	—	—	—	—	—	4,640	—	4,640	—	4,640
Capital contribution from minority interest	—	—	—	—	—	—	—	—	—	11,961	11,961
At 30 June 2009 (unaudited)	139,549	3,376,570	164,947	286,038	1,673,893	—	12,388	991,167	6,644,552	133,392	6,777,944
At 1 January 2010 (audited)	139,549	3,376,570	275,228	286,038	1,673,893	—	15,944	1,166,936	6,934,158	132,933	7,067,091
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	140,225	140,225	1,483	141,708
Dividend (Note 8)	—	—	—	—	—	—	—	(155,625)	(155,625)	(1,717)	(157,342)
Recognition of equity-settled share based payment	—	—	—	—	—	—	2,776	—	2,776	—	2,776
Appropriation	—	—	148,777	—	—	—	—	(148,777)	—	—	—
At 30 June 2010 (unaudited)	139,549	3,376,570	424,005	286,038	1,673,893	—	18,720	1,002,759	6,921,534	132,699	7,054,233

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	**314,596**	613,210
Net cash used in investing activities	**(1,207,748)**	(864,716)
Net cash from (used in) financing activities	**300,667**	(374,824)
Net decrease in cash and cash equivalents	**(592,485)**	(626,330)
Cash and cash equivalents at beginning of the period	**1,331,266**	2,078,228
Cash and cash equivalents at end of the period	**738,781**	1,451,898

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

1. General Information

The Company is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law (2003 Revision), Chapter 22 of the Cayman Islands on 7 April 2004. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The immediate and ultimate holding company is Asia Cement Corporation ("Asia Cement"), a company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation. The address of the registered office of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies and the principal place of business of the Company is at Portion of Unit B, 11th Floor, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

The principal activity of the Group is manufacture and sale of cement, concrete and related products in the People's Republic of China (the "PRC"). The Company is an investment holding company.

2. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

The Group's interim financial information is presented in Renminbi ("RMB") which is also the functional currency of the Company.

3. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at initial recognition.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

IAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. IFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, IAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14 (see note 4). The adoption of the new and revised IFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

4. Segment Information

The Group has adopted IFRS 8 "Operating Segments" with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to the segment and to assess its performance. The Group's CODM is the chief executive officer. In contrast, the predecessor Standard (IAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

For management purpose, the Group has two segments:

1. Cement business; and

2. Concrete business.

The Group determines its operating segments based on the internal reports reviewed by CODM that are used to make strategic decisions. The Group's assets located and operating revenues derived from activities outside the People's Republic of China (the "PRC") are less than 5 per cent of the Group's assets and operating revenues, respectively. No geographical area information has been presented as such information is immaterial.

Segment information about these businesses is presented below:

Six months ended 30 June 2010

	Cement business RMB'000 (unaudited)	Concrete business RMB'000 (unaudited)	Elimination RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
REVENUE				
External sales	2,029,972	244,486	—	2,274,458
Inter-segment sales	48,500	17,372	(65,872)	—
Total	2,078,472	261,858	(65,872)	2,274,458
RESULT				
Segment result	221,649	10,739		232,388
Unallocated income				29,590
Central administration costs, directors' salaries and other unallocated expenses				(19,070)
Share of loss of jointly controlled entities				(764)
Finance costs				(73,425)
Profit before tax				168,719

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

4. Segment Information (continued)

Six months ended 30 June 2009

	Cement business RMB'000 (unaudited)	Concrete business RMB'000 (unaudited)	Elimination RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
REVENUE				
External sales	1,764,386	209,856	—	1,974,242
Inter-segment sales	38,526	25,823	(64,349)	—
Total	1,802,912	235,679	(64,349)	1,974,242
RESULT				
Segment result	445,531	(3,969)		441,562
Unallocated income				22,136
Central administration costs, directors' salaries and other unallocated expenses				(18,399)
Share of loss of jointly controlled entities				(308)
Finance costs				(84,024)
Profit before tax				360,967

Segment result represents the profit earned (loss incurred) by each segment without allocation of central administration costs, directors' salaries and other unallocated expenses, unallocated income, share of results of jointly controlled entities and finance costs.

5. Other Expenses and Losses

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Allowance for doubtful debts, net	—	19,022
Donations	**324**	11,006
Exchange loss, net	—	3,877
Fair value adjustment on long term receivables	—	3,645
Changes in fair value of derivative instruments *(Note)*	**536**	—
	860	37,550

Note: The aggregate notional principal amount of the outstanding non-delivery swap at 30 June 2010 was USD50,000,000. The swap contract was entered into to hedge against interest rate risk and foreign currency risk in relation to a bank loan.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

6. Income Tax Expense

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
— PRC Enterprise Income Tax	**31,592**	38,946
— Other jurisdictions	**—**	10
	31,592	38,956
Overprovision in prior years	**349**	(760)
Deferred tax credit	**(4,930)**	(3,183)
	27,011	35,013

For the six months ended 30 June 2010, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 7.5% to 25% (Six months ended 30 June 2009: ranged from 7.5% to 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated statement of comprehensive income as the Group had no assessable profit arising in Hong Kong for both periods.

7. Profit for the Period

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for period has been arrived at after charging:		
Depreciation and amortisation	**273,429**	217,938

8. Dividend

Final dividend of RMB10 cents per share for the year ended 31 December 2009, amounting to RMB155,625,000, was paid during the six months ended 30 June 2010.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

9. Earnings per Share

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**140,225**	323,916
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,556,250**	1,556,250
Effect of dilutive employee share options	—	183
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,556,250**	1,556,433

The computation of diluted earnings per share for the six months ended 30 June 2010 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of the shares for the period.

10. Property, Plant and Equipment

	Carrying value RMB'000
At 1 January 2010 (audited)	8,844,152
Additions	1,065,892
Depreciation for the period	(259,675)
Disposals	(8,544)
At 30 June 2010 (unaudited)	9,641,825

11. Quarry

	Carrying value RMB'000
At 1 January 2010 (audited)	140,661
Additions	30,908
Amortisation during the period	(2,793)
At 30 June 2010 (unaudited)	168,776

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

12. Prepaid Lease Payments

The Group's prepaid lease payments represent leasehold land in the PRC under medium-term lease.

Analysed for reporting purposes as:

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Non-current assets	**482,312**	392,470
Current assets	**13,278**	9,919
	495,590	402,389

13. Trade and Other Receivables

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Trade receivables	**604,983**	465,661
Less: accumulated allowance	**(49,508)**	(49,783)
	555,475	415,878
Bill receivables	**455,533**	409,997
Other receivables	**433,525**	292,208
Less: accumulated allowance	**(2,332)**	(2,332)
	1,442,201	1,115,751

The Group has a policy of allowing a credit period from 30 to 60 days for cement customers, whereas longer credit term are occasionally allowed to certain selected customers with good credit histories. In addition, the Group's credit policy for concrete customers are generally after the completion of the construction by buyers, which on average is about 180 to 365 days.

The following is an aged analysis of trade receivables and bill receivables, net of allowance for doubtful debts, at the balance sheet date:

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
0–90 days	**582,319**	534,543
91–180 days	**303,617**	211,106
181–365 days	**122,322**	72,509
Over 365 days	**2,750**	7,717
	1,011,008	825,875

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

14. Restricted Bank Deposits

The amount as at 30 June 2010 represent deposits pledged to secure short-term banking facilities granted to the Group and therefore classified as current assets. The pledged bank deposits will be released upon release of the banking facilities granted by the banks.

15. Trade and Other Payables

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Trade payables	**424,279**	144,838
Bill payables	**11,469**	22,581
Other payables	**541,780**	524,352
	977,528	691,771
Analysed for reporting purpose as:		
Non-current liabilities	**15,000**	18,000
Current liabilities	**962,528**	673,771
	977,528	691,771

The following is an aged analysis of trade payables and bill payables at the balance sheet date:

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
0–90 days	**391,881**	117,338
91–180 days	**15,548**	29,246
181–365 days	**21,037**	16,094
Over 365 days	**7,282**	4,741
	435,748	167,419

The average credit period for trade purchases is 30 to 90 days.

16. Bank Borrowing

During the six months ended 30 June 2010, the Group obtained new bank loans of approximately RMB1,475.0 million and repaid bank loans of approximately RMB902.7 million in accordance with the repayment terms. The new loans raised are denominated in RMB and United States Dollar, unsecured and carry interest at market rates ranging from 0.79% to 4.86% per annum. The proceeds were used as general working capital for the Group and for the construction of new production lines.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

17. Share Capital

Issued share capital as at 30 June 2010 amounted to RMB139,549,000. There were no movements in the issued share capital of the Company in current interim period.

18. Commitments

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment and land use rights contracted for but not provided in the condensed consolidated financial statements	**877,406**	500,837

19. Related Party Transactions

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Jointed controlled entities:		
Purchase of goods	**5,315**	2,711
Transportation expenses	**9,146**	8,525

The remuneration of directors and other members of key management were as follows:

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Short-term employee benefits	**4,042**	3,873
Equity-settled share based payment	**2,776**	2,856
	6,818	6,729

The remuneration of directors and other members of key management is determined by having regard to the performance of individuals and market trends.

Management Discussion and Analysis

Business and Financial Review

The Board is pleased to announce the Group's unaudited interim results for the six months ended 30 June 2010. During the period under review, the Group has maintained its leading position in the market. While achieving a 100% production-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 Yangtze River Regions, the Group continued the growth momentum in sales and achieved satisfactory results for the six months ended 30 June 2010.

During the period under review, the positive momentum from 2009 continued, with significant recovery of the global economy, together with the PRC government's investment in infrastructure projects. Despite the impact on the development of certain housing projects from the austerity measures taken against the real estate market, related cement demand was offset by the construction of low-rental housing and the development of rural markets pushed by the government. Cement sales of the Group reached 8.0 million tonnes in the first half of 2010, representing an increase of 34% over the same period of 2009, mainly attributable to the increase in the Group's rated clinker production capacity to 12,420,000 tonnes per year (with actual clinker production capacity reaching 14,850,000 tonnes per year) following 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. In addition, the Group successfully acquired Wuhan Xinlingyun Cement (with a production capacity of 1,500,000 tonnes per year) in May 2010, thus further enhanced its production capacity.

Revenue

The concerted efforts of the management team have continued to bear fruits as evidenced by the increase in sales of the Group. The table below shows the sales breakdown by regions during the reporting period:

	30 June 2010 RMB'000 (Unaudited)	30 June 2009 RMB'000 (Unaudited)
Region		
Yangtze River Delta	**311,628**	303,080
Central Yangtze River	**1,150,017**	815,480
Sichuan Region	**806,645**	840,276
Others	**6,168**	15,406
Total	**2,274,458**	1,974,242

In the reporting period, the Group's revenue amounted to RMB2,274.5 million, representing an increase of RMB300.3 million or 15% over that of RMB1,974.2 million for the corresponding period of 2009. The increase in revenue was mainly attributable to an overall increase in total production output as a result of the full operation of No.3 new dry process rotary kiln at Sichuan Yadong Plant, No.1 new dry process rotary kiln at Huanggang Yadong Plant and No.4 new dry process rotary kiln at Jiangxi Yadong Plant which commenced operation in first half of 2010.

Business and Financial Review (continued)

Revenue (continued)

In respect of revenue contribution for the six months ended 30 June 2010, sales of cement products and related products accounted for 89% (2009: 89%) and the sales of concrete accounted for 11% (2009: 11%). The table below shows the sales breakdown by product during the reporting period.

	30 June 2010 RMB'000 (Unaudited)	30 June 2009 RMB'000 (Unaudited)
Cement Products	**1,981,356**	1,699,017
Clinker	**9,658**	37,957
Ready-mix concrete	**244,486**	209,856
Blast-furnace slag powder	**38,958**	27,412
Total	**2,274,458**	1,974,242

Cost of Sales and Gross Profit

The Group's cost of sales primarily includes cost of raw materials, fuel expenses (consisting of coal and electricity), employee compensation and benefits, depreciation and amortization and other overhead costs. During the period under review, the Group's cost of sales increased by 38% to RMB1,854.3 million from RMB1,347.4 million as compared to the corresponding period in 2009 due to the expansion of overall business of the Group.

The gross profit for the six months ended 30 June 2010 was RMB420.2 million (2009: RMB626.8 million), representing a gross profit margin of 18% on revenue (2009: 32%). The adjustment in gross profit was mainly attributable to the following reasons: (i) the influx of cement from other regions into Sichuan Province and increase in local production capacity further pressurized the sales of manufacturers in Sichuan Province and caused the cement price to significantly drop since mid-2009; (ii) owing to climatic factors, the demand for cement decreased, leading to a decline in cement price in the markets where the Group had presence; (iii) the coal price remained high in the reporting period.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income, sales of scrap materials, investment incentives from the PRC government and gain on disposal of property, plant and equipment. For the six months ended 30 June 2010, other income amounted to RMB44.4 million, representing a decrease of RMB5.5 million or 11% over that of RMB49.9 million for the corresponding period in 2009. The decrease in other income was attributable to decrease in government grants during the period under review.

Other Expenses and Losses

Other expenses and losses mainly comprise exchange loss, donations and allowance of doubtful debts. For the period under review, other expenses and losses amounted to RMB0.9 million, representing a decrease of RMB36.7 million or 98% over that of RMB37.6 million for the corresponding period in 2009. The decrease in other expenses and losses was mainly attributable to the decrease in donations and the provision for doubtful debts.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For the six months ended 30 June 2010, the distribution and selling expenses amounted to RMB118.4 million, representing an increase of RMB10.4 million or 10% over that of RMB108.0 million for the corresponding period of 2009. The increase in distribution and selling expenses was attributable to the increase in sales activities during the period under review.

Administrative expenses, including employee compensation and benefits, depreciation expenses and other general office expenses increased by 19% to RMB102.4 million from RMB85.9 million for the corresponding period of 2009. The increase was attributable to the increase in headcount of administrative staff and the expenses incurred by the Group for the purpose of expanding its operation and production capacity.

The 13% decrease in finance costs was mainly due to the decrease in average interest rate of bank loans.

Business and Financial Review (continued)

Profit for the Period

In the reporting period, the net profit of the Group amounted to RMB141.7 million, representing a decrease of RMB184.3 million or 57% over that of RMB326.0 million for the corresponding period of 2009, while the net profit margin also decrease from 17% to 6%. The decrease of net profit was mainly attributable to (i) the decrease in average selling price and (ii) the increase in production cost.

Financial Resources and Liquidity

The Group maintained a strong financial and liquidity position for the six months ended 30 June 2010. The total assets increased by 7% to approximately RMB13,491.4 million (31 December 2009: approximately RMB12,659.5 million) while the total equity amounted to approximately RMB7,054.2 million (31 December 2009: approximately RMB7,067.1 million).

As at 30 June 2010, the Group had cash and cash equivalents amounted to approximately RMB738.8 million (31 December 2009: approximately RMB1,331.3 million). After deducting the total interest-bearing bank borrowings of RMB5,431.1 million (31 December 2009: approximately RMB4,858.7 million), the Group had a net borrowing of approximately RMB4,692.3 million (31 December 2009: approximately RMB3,527.4 million).

As at 30 June 2010, the Group's gearing ratio was approximately 48% (31 December 2009: 44%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2010 and 31 December 2009 respectively. The increase in the gearing ratio was mainly attributable to the purchase of property, plant and equipment to expand the production capacities of the Group.

Bank Borrowings

The maturity profiles of the Group's bank borrowings outstanding as at 30 June 2010 and 31 December 2009 are summarized below:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within one year	**1,392,893**	947,155
In the second year	**944,906**	566,970
In the third to fifth year	**2,795,758**	2,851,599
After five years	**297,500**	492,950
	5,431,057	4,858,674

Capital Expenditure and Capital Commitments

Capital expenditure for the six months ended 30 June 2010 amounted to approximately RMB1,165.2 million (31 December 2009: approximately RMB2,585.8 million) and capital commitments as at 30 June 2010 amounted to approximately RMB877.4 million (31 December 2009: approximately RMB500.8 million). Both the capital expenditure and capital commitments were mainly related to the purchase of plant and equipment for the new production lines. The Group anticipates funding those commitments from future operating revenue, bank borrowings and other sources of finance when appropriate.

Pledge of Assets

The Group did not have any pledge or charge on assets as of 30 June 2010 other than restricted bank deposits of approximately RMB126.6 million (31 December 2009: approximately RMB82.3 million).

Contingent Liabilities

As of the date of this report and as at 30 June 2010, the Board is not aware of any material contingent liabilities.

Business and Financial Review (continued)

Human Resources

As at 30 June 2010, the Group had 3,438 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Pre-IPO Share Option Scheme and Share Option Scheme, where eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company for their past and potential contribution to the growth of the Group. As at 30 June 2010, about 11,578,000 share options were granted under the Pre-IPO Share Option Scheme and no share options have been exercised yet. Also, as at 30 June 2010, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisitions and Disposals

On 23 June 2010, the Company announced that the Hubei Yadong Cement Co., Ltd, being a non wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with two individual sellers and Wuhan Xinlingyun Cement Co., Ltd ("Wuhan Xinlingyun") for acquiring 70% of the equity interest in Wuhan Xinlingyun at the total consideration of RMB236.60 million, with appropriate adjustments as required. The consideration shall be satisfied by the Company according to the mechanism described in the announcement of the Company dated 23 June 2010.

Save for the aforesaid, the Group had no significant investment, material acquisitions or disposals for the six months ended 30 June 2010.

Foreign Exchange Risk Management

The Group's sales and purchases during the reporting period were mostly denominated in Renminbi. However, some of the Group's bank borrowings were denominated in foreign currencies.

There has been no significant changes in the Group's policy in terms of exchange rate exposure. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

Prospects

With the acceleration of industrialization, urbanization and new rural development in China, demand for cement will continue to sustain a certain degree of improvement in the second half of 2010. "Railway, Highway, Airport" and other infrastructure projects continue to be major factors for driving up cement consumption, which coupled with the rapid developments of rural markets, will benefit the continued growth in the cement industry. To grasp such immense market opportunities, the Group will continue with its production capacity and market expansion plans, focusing on its existing major markets, namely Sichuan and Central Yangtze River Regions. The Group is currently constructing No.2 new dry process rotary kiln at Hubei Yadong Plant (scheduled to be completed by the end of 2010), upon its commencement of production, the Group's rated clinker production capacity will increase to 14,800,000 tonnes per year (with actual clinker production capacity reaching 17,500,000 tonnes per year). Cement sales of the Group are expected to reach 19,500,000 tonnes in 2010, a leap of 39% over 2009, and we expect such growth momentum will continue into 2011. With the construction of the new No.5 and No.6 new dry process rotary kilns at Jiangxi Yadong Plant in full swing, the Group's total cement production volume is expected to reach 30,000,000 tonnes in 2014. In addition, the Group will continue to reduce costs to raise its competitiveness and will overcome the existing problem of 'two highs, one low' (high coal and electricity prices and low selling price).

2010 is the final year of the "Eleventh Five Year" plan of China. In order to achieve its energy saving and emission reduction targets, the PRC government will implement relentlessly the policies to eliminate obsolete production capacity. This will benefit the structural adjustments and industry upgrade of the cement industry, thus leading to its sustainable development.

Looking ahead, driven by the rapid economic developments in China, together with the government's increased efforts in eliminating obsolete production capacity, the outlook for the cement industry remains bright. The Group will continue to adopt steady development strategies in response to market changes, to grasp opportunities from market consolidation, to accelerate expansion production capacity and the scope of distribution, to effectively control fuel sources so as to reduce costs. The Group will also adhere to its principles of maintaining high quality, highly environmental-friendly, high efficiency and low costs, and strengthen its market competitiveness. Leveraging on the Group's current leading market position, together with the effective implementation of the above strategies, the Group will see rosy business prospects.

Disclosure of Interests

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2010, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Number of ordinary shares			% of the Company's issued shares
	Personal interests	Equity derivatives (Note 1)	Total interests	
Mr. Chang, Tsai-hsiung	200,000	1,500,000	1,700,000	0.11
Madam Chiang Shao, Ruey-huey	40,000	400,000	440,000	0.03
Mr. Hsu, Shu-tong	—	3,000,000	3,000,000	0.19
Mr. Chang, Chen-kuen	23,000	400,000	423,000	0.03
Mr. Lin, Seng-chang	—	400,000	400,000	0.03
Mr. Wu, Chung-lih	—	400,000	400,000	0.03

Note:

1. This represented interests in option granted to Directors under the Pre-IPO Share Option Scheme to subscribe for shares of the Company, further details of which are set forth under the section headed "Share Option Schemes" to this report.

Disclosure of Interests (continued)

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

Long positions in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Type of interest: Personal	Type of interest: Through spouse	Type of interest: Corporate	Total No. of ordinary shares in the associated corporation	% of shareholding in the associated corporation
Mr. Chang, Tsai-hsiung	Asia Cement Corporation ("Asia Cement")	408,010	37,570	—	445,580	0.01%
	Oriental Industrial Holdings Pte., Ltd ("Oriental Industrial")	2,000	—	—	2,000	0.0004%
Madam Chiang Shao, Ruey-huey	Asia Cement	68,051	2,172	—	70,223	0.002%
	Oriental Industrial	1,000	—	—	1,000	0.0002%
Mr. Hsu, Shu-tong	Asia Cement	20,676,499	7,216,270	—	27,892,769	0.93%
	Asia Cement (Singapore) Private Limited ("Asia Cement Singapore")	2	—	—	2	0.00002%
	Oriental Industrial	4,000	—	—	4,000	0.0009%
Mr. Chang, Chen-kuen	Asia Cement	269,459	4,282	—	273,741	0.01%
Mr. Lin, Seng-chang	Asia Cement	6,576	—	—	6,576	0.0002%

Saved as disclosed above, as at 30 June 2010, none of the Directors and chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

Substantial Shareholders' and Other Persons' Interest in Shares and Underlying Shares

As at 30 June 2010 and to the best knowledge of the Directors and chief executives of the Company, persons (other than Directors or chief executives of the Company) who had an interest or short position, in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares

Substantial shareholders

Name	Capacity	Number of Shares	Approximate % of issued share capital of the Company
Asia Cement (note 1)	Beneficial owner and interest by attribution	1,136,074,000	73.00%

Notes:

1. Asia Cement beneficially owns approximately 68.19% interest of the Company. Asia Cement Singapore holds approximately 4.10% interest in the Company, which is approximately 99.96% owned by Asia Cement. Asia Cement is deemed to be interested in approximately 4.10% interest of the Company by virtue of its corporate interest in Asia Cement Singapore. Further, Falcon Investments Private Limited holds approximately 0.71% interest in the Company and is owned as to 100% by U-Ming Marine Transport (Singapore) Private Limited, which is in turn owned as to 99.99% by U-Ming Marine Transport Corporation. U-Ming Marine Transport Corporation is owned as to 38.66% by Asia Cement. Asia Cement is deemed to be interested in approximately 0.71% interest of the Company under the SFO.

Save as disclosed above, as at 30 June 2010, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) also had interests or short positions on the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Share Option Schemes

(a) Pre-IPO Share Option Scheme

Pursuant to the Pre-IPO Share Option Scheme adopted on 13 December 2007, the Company has granted certain options to eligible directors, senior management and employees of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated under the Pre- IPO Share Option Scheme. The exercise price shall be 85% of the final offer price to the public. The Pre- IPO Share Option Scheme will remain in force for a period of 6 years from the grant date.

At 30 June 2010, 11,578,000 options were granted under the Pre-IPO Share Option Scheme, and no such share options have yet been exercised. Share options granted under the Pre-IPO Share Option Scheme are exercisable at HK$4.2075 per share. The holders of the said share options may exercise options pursuant to the following schedules of vesting period and percentage:

(i) The employee of the Group

Period that the share options can be exercised after the share options are granted	Maximum accumulated percentage of share options exercisable
Attaining 2 years	30%
Attaining 3 years	60%
Attaining 4 years	80%
Attaining 5 years	100%

(ii) The director of the Group

Period that the share options can be exercised after the share options are granted	Maximum accumulated percentage of share options exercisable
Attaining 1 years	33.3%
Attaining 2 years	66.6%
Attaining 3 years	100%

Share Option Schemes (continued)

(a) Pre-IPO Share Option Scheme (continued)

(iii) The eligible persons who is neither the employee nor the director of the Group may exercise the share options after 6 months the share options are granted to him.

Details of the share options outstanding as at 30 June 2010 which have been granted under the Pre-IPO Share Option Scheme are as follows:

Name	Date of Grant	Options outstanding at 1 January 2010	Granted during the period	Options exercised during the period	Option lapsed on expiry	Options cancelled upon termination of employment	Option outstanding at 30 June 2010
Directors							
Mr. Chang, Tsai-hsiung	17 April 2008	1,500,000	—	—	—	—	1,500,000
Madam Chiang Shao, Ruey-huey	17 April 2008	400,000	—	—	—	—	400,000
Mr. Hsu, Shu-tong	17 April 2008	3,000,000	—	—	—	—	3,000,000
Mr. Chang, Chen-kuen	17 April 2008	400,000	—	—	—	—	400,000
Mr. Lin, Seng-chang	17 April 2008	400,000	—	—	—	—	400,000
Mr. Wu Chung-lih	17 April 2008	400,000	—	—	—	—	400,000
Other employees	17 April 2008	5,478,000	—	—	—	—	5,478,000
		11,578,000	—	—	—	—	11,578,000

(b) Share Option Scheme

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Company and to enable to the Company and its subsidiaries to recruit and retain high-calibre employees.

The Directors may, at their discretion, offer eligible persons (being full time or part time employees, executive directors, non-executive directors and independent non-executive directors or consultant of the Group or any person whom the Board considers, in its sole discretion, has contributed or contributes to the Group) who the Board may in its absolute discretion select to subscribe the shares.

Initially the maximum number of shares which may be issued upon exercise of all the options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate number of the shares in issue as at the date of the Listing. The total number of shares which may be issued upon exercise of all the options granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the aggregate number of the shares in issue from time to time.

Unless approved by shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) under the Share Option Scheme or any other share option scheme adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) in any 12 month period must not exceed 1% of the shares in issue as at the date of grant.

Share Option Schemes (continued)

(b) Share Option Scheme (continued)

The vesting periods, exercise periods and vesting conditions maybe specified by the Company at the time of the grant, and the share options shall expire no later than 10 years from the relevant date of grant.

At the time of the grant of the options, the Company may specify any performance target(s) which must be achieved before the options can be exercised. The Share Option Scheme does not contain any performance targets.

The amount payable by a grantee on acceptance of a grant of options is HK$1.00. The subscription price for the shares of the Company being the subject of the options shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant. The Share Option Scheme will expire on 26 April 2018. No options have been granted under the Share Option Scheme as at 30 June 2010, or as at the date of this Interim Report.

Corporate Governance

During the six months ended 30 June 2010, the Company has compiled with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

Audit Committee

The Company established the Audit Committee on 27 April 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set forth in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include the review of financial reporting processes and internal control system of the Group. Currently, the Audit committee comprises Mr. Tsim, Tak-lung Dominic (Chairman), Mr. Hsu, Shu-tong and Dr. Wong Ying-ho Kennedy, all of whom are non-executive directors and the majority of whom are independent non-executive Directors.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with the Code on Corporate Governance Practices as set forth in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee include the review of Directors' and senior management's remuneration packages, bonuses and other compensation. Currently, the Remuneration committee comprises Mr. Hsu, Shu-tong (Chairman), Mr. Tsim, Tak-lung Dominic and Dr. Wong Ying- ho Kennedy, all of whom are non-executive directors and the majority of whom are independent non- executive Directors.

Independence Committee

The Company has established the Independence Committee. The primary duties of the Independence Committee include the review of transactions between the Group, Asia Cement and Far Eastern Group and assess any potential conflict of interest between them. Save as disclosed in the section headed "Relationship with Asia Cement" and "Connected Transactions" in the Prospectus, no additional ongoing relationships or potential conflict of interests was identified in the period under review.

Other Information

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2010.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Appreciation

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners, bankers and auditors for their support to the Group throughout the period.

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

Hong Kong, 12 August 2010