Asia Cement (China) Holdings Corporation

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 743)

2008 Annual Results Announcement

2008 ANNUAL RESULTS HIGHLIGHTS

- Revenue increased by 44% to approximately RMB3,248.2 million for the year ended 31 December 2008 (2007: approximately RMB2,254.6 million).
- Profit attributable to equity holders grew by 67% to approximately RMB410.7 million (2007: approximately RMB246.2 million).
- Basic earning per share amounted to RMB0.30 (2007: RMB0.26), representing an increase of approximately 15%.
- The Board proposed a final dividend of RMB0.10 per share, representing a payout ratio of 33%.
- With the commencement of No. 2 rotary kilns at Sichuan Yadong Plant located in China's southwest region operation on 28 December 2008, the total rated capacity of clinker and actual production capacity of cement products at Sichuan Yadong Plant have increased to 2,772,000 tonnes and 4,000,000 tonnes respectively.

THE FINANCIAL STATEMENTS

Results

The directors (the "Directors") of Asia Cement (China) Holdings Corporation (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2008, together with the comparative figures for 2007 as follows:

Condensed Consolidated Income Statement

	Notes	**2008** **_RMB'000_**	2007 *RMB'000*
Revenue	*3*	**3,248,152**	2,254,590
Cost of sales		**(2,340,149)**	(1,622,073)
Gross profit		**908,003**	632,517
Other income	*4*	**116,075**	85,089
Other expenses	*5*	**(54,471)**	(22,950)
Distribution and selling expenses		**(196,188)**	(146,440)
Administrative expenses		**(151,641)**	(95,649)
Share of results of jointly controlled entities		**2,088**	1,486
Finance costs		**(156,859)**	(106,878)
Profit before taxation		**467,007**	347,175
Income tax expenses	*6*	**(28,606)**	(39,878)
Profit for the year	*7*	**438,401**	307,297
Attributable to:			
Equity holders of the Company		**410,717**	246,200
Minority interest		**27,684**	61,097
		438,401	307,297
Dividend — Proposed final	*8*	**155,625**	N/A
Earning per share	*9*		
Basic		**RMB0.30**	RMB0.26
Diluted		**RMB0.30**	N/A

Condensed Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**6,908,257**	4,898,567
Quarry		**71,434**	57,503
Interests in jointly controlled entities		**30,275**	28,187
Prepaid lease payments		**284,758**	285,793
Deposit paid for purchase of land use rights		**185,268**	96,295
Deferred tax assets		**10,637**	6,999
Long term receivables		**53,070**	29,518
		7,543,699	5,402,862
CURRENT ASSETS			
Inventories	*10*	**415,485**	279,712
Trade and other receivables	*11*	**767,070**	576,910
Long term receivables — due within one year		**6,140**	1,890
Tax recoverable		**8,519**	3,298
Prepaid lease payments		**7,939**	7,075
Amounts due from related companies		**37**	1,332
Available-for-sale investments		**—**	125,689
Restricted bank deposits		**102,943**	110,563
Time deposits		**20,000**	—
Bank balances and cash		**2,078,228**	620,216
		3,406,361	1,726,685
CURRENT LIABILITIES			
Trade and other payables	*12*	**525,414**	343,420
Amount due to related companies		**7,487**	6,394
Tax payables		**4,747**	20,825
Bank borrowings — due within one year		**1,309,722**	654,004
		1,847,370	1,024,643
NET CURRENT ASSETS		**1,558,991**	702,042
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,102,690**	6,104,904
NON-CURRENT LIABILITIES			
Bank borrowings — due after one year		**2,503,898**	1,818,543
Deferred tax liabilities		**7,778**	3,398
		2,511,676	1,821,941
NET ASSETS		**6,591,014**	4,282,963
CAPITAL AND RESERVES			
Share capital	*13*	**139,549**	2
Reserves		**6,332,072**	3,843,683
Equity attributable to equity holders of the Company		**6,471,621**	3,843,685
Minority interest		**119,393**	439,278
TOTAL EQUITY		**6,591,014**	4,282,963

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2008

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.

The Financial Information is presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the functional currency of the principal subsidiaries).

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

In the current year, the Group has applied the following amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB which are or have become effective.

IAS 39 & IFRS 7 (Amendments)	Reclassification of Financial Assets
IFRIC 11	IFRS 2: Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early adopted the following these new and revised standards, amendments or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs[1]
IAS 1 (Revised)	Presentation of Financial Statements[2]
IAS 23 (Revised)	Borrowing Costs[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
IAS 39 (Amendment)	Eligible Hedged Items[3]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combinations[3]
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
IFRS 8	Operating Segments[2]
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives[4]
IFRIC 13	Customer Loyalty Programmes[5]
IFRIC 15	Agreements for the Construction of Real Estate[2]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[6]
IFRIC 17	Distributions of Non-cash Assets to Owners[3]
IFRIC 18	Transfers of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009

3 Effective for annual periods beginning on or after 1 July 2009

4 Effective for annual periods ending on or after 30 June 2009

5 Effective for annual periods beginning on or after 1 July 2008

6 Effective for annual periods beginning on or after 1 October 2008

7 Effective for transfers received on or after 1 July 2009

The adoption of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material effect on the results and financial position of the Group.

3. REVENUE AND SEGMENTAL INFORMATION

Business segment

The business activities of the Group can be categorised into cement business (including cement products, clinker, blast-furnace slag power and related products) and concrete business (including RMC). Inter-segment sales were charged at market price or, where no market price was available, at cost plus a percentage of profit mark-up. Segment Information in respect of these activities is as follows:

For the year ended 31 December 2008

	Cement business *RMB'000*	Concrete business *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
Consolidated Income Statement				
Revenue				
External sales	2,889,662	358,490	—	3,248,152
Inter-segment sales	76,463	26,758	(103,221)	—
Total	2,966,125	385,248	(103,221)	3,248,152
Result				
Segment result	632,351	5,083		637,434
Unallocated income				76,752
Unallocated expense				(92,408)
Share of profit of jointly controlled entities				2,088
Finance costs				(156,859)
Profit before tax				467,007
Income tax expense				(28,606)
Profit for the year				438,401

	Cement business *RMB'000*	Concrete business *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Other Information				
Capital expenditure	2,260,143	97,399	7,386	2,364,928
Depreciation and amortisation	305,210	26,260	8,598	340,068
(Gain) loss on disposal of property, plant and equipment	(168)	—	16	(152)
Allowance for doubtful debts, net of reversal	1,446	7,448	(301)	8,593

For the year ended 31 December 2007

	Cement business *RMB'000*	Concrete business *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
Consolidated Income Statement				
Revenue				
External sales	2,078,005	176,585	—	2,254,590
Inter-segment sales	115,982	10,127	(126,109)	—
Total	2,193,987	186,712	(126,109)	2,254,590
Result				
Segment result	423,356	(7,439)		415,917
Unallocated income				62,849
Unallocated expense				(26,199)
Share of profit of jointly controlled entities				1,486
Finance costs				(106,878)
Profit before tax				347,175
Income tax expense				(39,878)
Profit for the year				307,297

	Cement business *RMB'000*	Concrete business *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Other Information				
Capital expenditures	1,220,885	76,556	19,960	1,317,401
Depreciation and amortisation	260,447	16,747	6,822	284,016
(Gain) loss on disposal of property, plant and equipment	(393)	(28,750)	146	(28,997)
Allowance for doubtful debts, net of reversal	(3,687)	10,487	100	6,900

4. OTHER INCOME

	2008	2007
	RMB'000	*RMB'000*
Interest income on bank deposits	**46,654**	21,364
Imputed interest income on long term receivables	**810**	382
Government grant	**20,375**	9,135
Transportation fee income	**11,125**	7,518
Sales of scrap materials	**12,098**	5,809
Rental income, net of outgoings	**657**	226
Investment incentives from the PRC government	**15,798**	—
Exchange gain, net	**—**	9,357
Gain on disposal of property, plant and equipment	**152**	28,997
Gain on disposal of available-for-sale investments	**4,840**	1,140
Others	**3,566**	1,161
	116,075	85,089

5. OTHER EXPENSES

	2008	2007
	RMB'000	*RMB'000*
Exchange loss, net	**31,497**	—
Listing expenses	**14,381**	13,935
Fair value adjustment on long term receivables	**—**	2,115
Allowance for doubtful debts, net of reversal	**8,593**	6,900
	54,471	22,950

6. INCOME TAX EXPENSES

The PRC enterprise income tax is calculated at the prevailing tax rate on the taxable income of the group entities in the PRC.

Prior to 1 January 2008, according to PRC tax laws and regulations, in general, the PRC companies should be liable to pay enterprise income tax at the rate of 33% on their assessable income except where existing laws, administrative regulations or any other relevant regulations promulgated by the PRC State Council provide for tax exemptions or other relief. Certain PRC subsidiaries of the Group enjoyed preferential rates ranging from 15%–24% because they are foreign investment enterprises located in the respective regions.

Pursuant to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries, other than Hubei Ya Li Transportation Co., Ltd, Oriental Holding Co., Ltd and Wuhan Yali Cement Products Co., Ltd, were exempted from PRC Foreign Enterprise Income Tax ("FEIT") for the first two years starting from their first profit-making year after offsetting the accumulated losses brought forward from previous years, followed by a 50% reduction on the FEIT for the next three years (the "Tax Holiday").

On 16 March 2007, the PRC promulgated the new PRC Enterprise Income Tax Law (the "New Law") by Order No. 63 of the President of the PRC. Under the New Law, the enterprise income tax for both domestic and foreign-invested enterprises would be unified at 25% effective from 1 January 2008. There would be a transitional period for PRC subsidiaries that currently are entitled to preferential tax treatments granted by the relevant tax authorities. PRC subsidiaries that were entitled to Tax Holiday for a fixed term may continue to enjoy such treatment until the fixed term expires. On 26 December 2007, the State Council of the PRC issued a circular of Guofa [2007] No. 39 — Notice of the State Council Concerning Implementation of Transitional Rules for Enterprise Income Tax Incentives ("Circular 39"). The New Law and the Circular 39 would change the applicable tax rate for certain PRC subsidiaries from the preferential rate of 15% to 18%, 20%, 22%, 24% and 25% for the years ending 31 December 2008, 2009, 2010, 2011 and 2012 respectively, and from 24% to 25% directly from 1 January 2008. Further, the State Administration of Taxation and Minister of Finance jointly issued a circular of Caishui [2008] No. 21 to further clarify that, effective 2008, preferential tax rates which are allowed to be enjoyed by qualified enterprise until its expiry shall be the transitional rates as stipulated under Circular 39.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit arising in Hong Kong for both years.

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

7. PROFIT FOR THE YEAR

	2008	2007
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Depreciation and amortisation		
— Property, plant and equipment	**329,113**	275,871
— Prepaid lease payments	**7,556**	5,838
— Quarry	**3,399**	2,307
	340,068	284,016
Auditor's remuneration	**6,609**	2,225
Staff costs, including directors' remuneration		
Salaries and other benefits	**150,113**	109,146
Retirement benefits scheme contributions	**7,692**	5,172
Total staff costs	**157,805**	114,318
Rental payments under operating leases	**7,630**	7,414

8. DIVIDEND

	2008	2007
	RMB'000	*RMB'000*
Proposed final — RMB0.10 (2007: Nil) per ordinary share	**155,625**	Nil

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008	2007
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to equity holders of the Company)	**410,717**	246,200
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,370,344**	947,976

The weighted average number of shares used in the calculation of earnings per share for 2008 and 2007 have been adjusted for the 1,124,978,308 shares issued pursuant to the capitalisation issue.

The employee share options had no dilution effect on the earnings per share for the year ended 31 December 2008 as the average market price of the Company's shares was lower than the exercise price of the options.

No diluted earnings per share was presented for the year ended 31 December 2007 as there was no potential dilutive ordinary shares outstanding during that year.

10. INVENTORIES

	2008	2007
	RMB'000	*RMB'000*
Spare parts and ancillary materials	**182,691**	167,152
Raw materials	**177,458**	69,021
Work-in-progress	**25,018**	16,712
Finished goods	**30,318**	26,827
	415,485	279,712

11. TRADE AND OTHER RECEIVABLES

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 the concrete customers are generally after the completion of the construction by the buyers, which on average is about 180 to 365 days.

	2008	2007
	RMB'000	*RMB'000*
Trade receivables		
0–90 days	**435,525**	331,740
91–180 days	**125,051**	113,066
Over 180 days	**61,816**	22,658
	622,392	467,464
Other receivables	**22,913**	23,142
Advances to suppliers	**80,642**	49,456
Deposits	**4,325**	1,446
Prepayments	**2,060**	3,158
Value-added tax receivable	**34,738**	32,244
	767,070	576,910

12. TRADE AND OTHER PAYABLES

	2008	2007
	RMB'000	*RMB'000*
Trade payables		
0–90 days	**143,794**	67,601
91–180 days	**514**	374
Over 180 days	**3,611**	580
	147,919	68,555
Accruals	**51,981**	45,266
Deposits	**77,098**	48,012
Value added tax payable	**21,167**	28,223
Construction cost payable	**172,498**	109,167
Other payables	**54,751**	44,197
	525,414	343,420

13. SHARE CAPITAL

	Number of shares	Amount HK$'000	Shown in the financial statements as RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2007, 31 December 2007 and 1 January 2008	3,800,000	380	
Increase on 27 April 2008	9,996,200,000	999,620	
At 31 December 2008	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2007	18,182	2	2
Issue of shares on 12 December 2007	1,764	—	—
At 31 December 2007 and 1 January 2008	19,946	2	2
Capitalisation issue	1,124,978,308	112,498	101,016
Issue of shares on 12 March 2008	1,746	—	—
Issue of shares on 20 May 2008	375,000,000	37,500	33,548
Issue of shares on 11 June 2008	56,250,000	5,625	4,983
At 31 December 2008	1,556,250,000	155,625	139,549

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

China is the world's largest consumer of cement and is expected to continue to account for a major share of the world's cement consumption for the next few years. The demand for cement products in China is expected to remain strong in the short term and stable over the longer term, driven primarily by the country's continuing urbanization and industrialization. According to the China Cement Association, China's cement consumption in 2010 is forecast to reach 1.68 billion tonnes, representing a CAGR of 8.8% from 2007 to 2010.

With the Chinese government's policies of "The Rise of Central China" and "Go West", the cement markets in these regions are set to benefit from robust demand. In light of the increase in construction of utility infrastructure, transportation networks and power stations, together with the relocation of industry from the Pearl River Delta and Eastern China to the Central Yangtze River Region, the Group is well-positioned to capture these immense business opportunities with its strategically located footholds.

The Group is one of the leading integrated cement producers in the Central Yangtze River Region (which includes the provinces of Jiangxi and Hubei) and a major integrated cement producer in the Sichuan Region (which covers Sichuan province). The Group's integrated operations range from the excavation of principal raw materials to the production, sale and distribution of clinker and different types of cement and RMC products to its principal markets through a well-established road and riverway transportation network. The Group's cement and RMC products are sold in Shanghai and the provinces of Jiangxi, Hubei, Sichuan, Zhejiang, Anhui and Fujian.

Sichuan Region

Chengdu, the Group's principal market in Sichuan, is a relatively closed market geographically, with only roadways connecting with surrounding markets. The closing down of 44 small vertical kilns by the Chengdu municipal government in the fourth quarter of 2007 caused the undersupply of cement products, which, in turn, drove up the price of cement in the Chengdu market in the first quarter of 2008. The enormous devastation brought by the earthquake in Sichuan in May 2008 has further tightened the intense demand and supply situation in the Sichuan cement market. Though post-quake infrastructure rebuilding has not yet started extensively, demand for cement products remained strong throughout the year. With the completion of No. 2 rotary kilns at our Sichuan Yadong Plant in December 2008, the Group's rated capacity of clinker production in Sichuan has increased to 2,772,000 tonnes per annum. The flexibility of the new cement kilns to burn multiple types of coals — high caloric coal and low caloric coal — has helped bring down the cost of production. The construction of No. 3 rotary kilns has already commenced and is expected to be completed by the first quarter of 2010.

Central Yangtze River Region

The major markets of the Group in the Central Yangtze River Region are Nanchang, Jiujiang and Wuhan, which are cities in Jiangxi and Hubei provinces. In 2008, this region continued to benefit from the relocation of industry from the Yangtze River Delta and Pearl River Delta and rapid industrialization and urbanization. The increasing consumption of cement resulting from accelerated urbanization and infrastructure development in the region helped offset the consumption slowdown in property development in the Central Yangtze River Region. As a consequence, the prices of cement products in the region remained stable in 2008. As at the end of 2008, the Group took up the cement supply of various key projects including Hanyi Express Railway — Wuhan Section (漢宜高速鐵路武漢段) and Shiwu Express Railway — Hubei Section (石武高速鐵路湖北段) , only orders taken up from these key projects have reached over 1,700,000 tonnes. The No. 1 rotary kilns at Hubei Yadong Plant commenced operation in March 2009, with the construction of the No. 1 rotary kilns at Huangang Yadong Plant and No. 4 rotary kilns at Jiangxi Yadong Plant, which is timed to be completed by the mid of 2010, the rated production capacity of the Group in this region will then increase to 8,300,000 tonnes of clinker per annum.

Yangtze River Delta Region

The major markets of the Group in the Yangtze River Delta Region are Shanghai, Jiangsu and Zhejiang. As the cement market in this region is well established, the cement price and profitability was less attractive compared with the Group's other markets.

Operating Results

The year 2008 marked a major milestone in the Group's corporate development. With its extensive operating experience and industry knowledge, the senior management team led the Company to overcome the adverse impact of snowstorms, the earthquake in Sichuan province and the rising cost of energy.

Revenue

The Group's principal business activities are the manufacture and sale of cement, concrete and related products. The concerted efforts of the management team have continued to bear fruit as evidenced by the increase in sales of the Group. For 2008, the Group's revenue amounted to RMB3,248.2 million, representing an increase of RMB993.6 million or 44% over that of RMB2,254.6 million for 2007. The increase in revenue was mainly attributable to the increase in average selling prices of the Group's products and an overall increase in total production output as a result of increased market demand and the full operation of rotary kiln No. 3 at Jiangxi Yadong Plant, which commenced operation in July 2007.

As the cement price in the Sichuan Region stood high throughout the year, the revenue in that region increased significantly during 2008.

	2008		2007	
Region	***RMB'000***	*%*	*RMB'000*	*%*
Yangtze River Delta	**455,008**	**14**	249,693	11
Central Yangtze River	**1,612,835**	**50**	1,331,794	59
Sichuan	**1,142,678**	**35**	643,949	29
Others	**37,631**	**1**	29,154	1
Total	**3,248,152**	**100**	2,254,590	100

In respect of revenue contribution for 2008, sales of cement products accounted for 87% (2007: 90%) and sales of concrete accounted for 11% (2007: 8%). The table below shows the sales breakdown by product during the reporting period:

	2008		2007	
	RMB'000	*%*	*RMB'000*	*%*
Cement Products	**2,823,867**	**87**	2,015,031	90
Clinker	**4,652**	**0**	8,346	0
RMC	**358,490**	**11**	176,585	8
Blast-furnace slag powder	**61,143**	**2**	54,628	2
Total	**3,248,152**	**100**	2,254,590	100

The table below shows the sales volume of each of the Group's products during the reporting period:

	2008	2007
	'000 units	*'000 units*
Cement Products	**9,870**	8,249
Clinker	**23**	40
RMC	**1,322**	720
Blast-furnace slag powder	**359**	333

Note: The sales volume for cement, clinker, and blast-furnace slag powder is measured in tonnes and for RMC is measured in cubic meters.

Based on the sales revenue and sales volume as set out above, the average selling price of cement products increased from RMB244 per tonne in 2007 to RMB286 per tonne in 2008.

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. In 2008, the Group's cost of sales increased by 44% to RMB2,340.1 million from RMB1,622.1 million for 2007 due to the expansion of overall business of the Group and the increase in average coal cost.

The gross profit for 2008 was RMB908.0 million, representing a gross profit margin of 28.0% on revenue and a significant improvement on the gross profit of RMB632.5 million in 2007. The significant improvement in gross profit reflected the fact that the increase in average selling prices of the Group's products and the economies of scale achieved.

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 2008, other income amounted to RMB116.1 million, representing a increase of RMB31 million or 36% over that of RMB85.1 million for 2007. The increase in other income was attributable to (i) the increase in transportation fee income from increased sales activities and (ii) increase in interest income on bank deposits and increase in government grant and investment incentives from the PRC government during the year under review.

Other Expenses

Other expenses mainly comprise exchange loss, listing expenses and allowance of doubtful debts. For 2008, other expenses amounted to 54.5 million, representing a increase of RMB31.5 million or 137% over that of RMB23.0 million for 2007. The increase in other expenses was principally attributable to the increase in exchange loss from United States/Hong Kong dollar denomination bank deposits.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2008, the distribution and selling expenses amounted to RMB196.2 million, representing an increase of RMB49.8 million or 34% over that of RMB146.4 million for 2007. The increase in distribution costs was attributable to the increase in sales activities in 2008.

Administrative costs, including employee compensation and benefits, depreciation expenses, listing related expenses and other general office expenses increased by 59%, from RMB95.6 million to RMB151.6 million. The increase was attributable to (i) the increase in headcount of administrative staff and the expenses incurred by the Group for the purpose of expanding its operation and production capacity, and (ii) listing related expenses incurred upon the Group's listing in May 2008.

The 47% increase in finance costs was mainly due to an increased interest rate and the increase in bank loans for financing the Group's expansion plan.

Profit before Income Tax

As a result of the foregoing factors, the profit before income tax for 2008 increased by RMB119.8 million, or 35%, to RMB467.0 million from RMB347.2 million for 2007.

Income Tax Expenses

In 2008, income tax expenses decreased by RMB11.3 million, or 28%, to RMB28.6 million from RMB39.9 million for 2007. The effective tax rate of the Group decreased from 11.5% for 2007 to 6.1% for 2008, primarily attributable to the significant increase in profit contribution by Sichuan Yadong which enjoyed the second year of its tax exemption period in 2008.

Minority Interests

In 2008, minority interests amounted to RMB27.7 million, representing a decrease of RMB33.4 million, or 55%, from RMB61.1 million for 2007 primarily due to the acquisition by the Group of minority interests in Sichuan Yadong at the beginning of year.

Net Profit

For 2008, the net profit of the Group amounted to RMB438.4 million, representing an increase of RMB131.1 million or 43% over that of RMB307.3 million for 2007, while the net profit margin maintained at 14%.

Liquidity and Financial Resources

The Group maintained a strong financial and liquidity position for year ended 31 December 2008. Total assets increased by 54% to approximately RMB10,950.1 million (2007: approximately RMB7,129.5 million) while total equity grew by 54% to approximately RMB6,591.0 million (2007: approximately RMB4,283.0 million).

Restricted Bank Deposits, Time Deposits, Bank Balances and Cash

As at 31 December 2008, the Group's restricted bank deposits, time deposits, bank balances and cash amounted to approximately RMB2,201.2 million (2007: RMB730.8 million) of which 32% was denominated in RMB and 67% in United States dollars, with the remainder denominated in Hong Kong dollars and Euros.

Capital Expenditure

Capital expenditure for the year ended 31 December 2008 amounted to approximately RMB2,364.9 million and capital commitments as at 31 December 2008 amounted to approximately RMB447.3 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 proceeds from initial public offerings ("IPO"), future operating revenue, bank borrowings and other sources of finance when appropriate.

Borrowings

The Group's bank borrowings as at 31 December 2007 and 2008 are summarized below:

	As at 31 December			
	2008		2007	
	RMB'000	***%***	*RMB'000*	*%*
Short-term borrowing	**1,309,722**	**34**	654,004	26
Long-term borrowing	**2,503,898**	**66**	1,818,543	74
Currency denomination				
— Renminbi	**2,972,370**	**78**	1,902,841	77
— US dollars	**802,800**	**21**	528,882	21
— Hong Kong dollars	**38,450**	**1**	40,824	2
Bank borrowings				
— secured	**—**	**—**	4,141	0
— unsecured	**3,813,620**	**100**	2,468,406	100
Interest rate structure				
— fixed-rate	**315,000**	**8**	159,141	6
— variable-rate	**3,498,620**	**92**	2,313,406	94
Interest rate				
— fixed-rate borrowings	**5.58%–7.47%**		2.55%–6.56%	
— variable-rate borrowings	**90% to 100% of the Benchmark Borrowing Rate of the PRC ("Benchmark Rate"), or LIBOR plus margin of 0.5% to 1%**		90% to 120% of Benchmark Rate, or LIBOR plus margin of 0.65% to 1%	

As at 31 December 2008, the Group had unutilized credit facilities in the amount of RMB1,670 million.

As at 31 December 2008, the Group's gearing ratio was approximately 40% (2007: 40%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2008 and 2007 respectively.

Use of proceeds

On 20 May 2008, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong. The IPO was well received by investors through both the international placing and the Hong Kong public offer. On 6 June 2008, the sole global coordinator on behalf of the international underwriters exercised an Over-Allotment Option of 56,250,000 shares. Total net proceeds received by the Company from the IPO were approximately HK$2,049.8 million.

As at 31 December 2008, approximately RMB357.1 million of the proceeds have been used and were applied in accordance with the proposed applications set forth in the Prospectus. The unutilized proceeds have been placed with licensed banks and financial institutions in Hong Kong and Taiwan as interest-bearing deposits.

Contingent Liabilities

As of the date of this announcement and as at 31 December 2008, the Board is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2008, the Group had 2,778 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 the Share Option Scheme, where eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company in accordance with their past and potential contribution to the growth of the Group. As at 31 December 2008, 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 31 December 2008, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

Save as disclosed, the Group did not make any material acquisition or disposal of subsidiaries or affiliated companies during the year under review.

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 and the proceeds raised through the initial public offering of the Company in May 2008 were denominated in foreign currencies.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of the RMB against foreign currencies may have an impact on the operating results of the Group.

The Group currently does not maintain a foreign currency hedging policy. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Future Prospects

In the last few months, the global financial turmoil has been affecting every single economy in the world. While many developed countries are expected to experience their worst economic performance, China is expected to maintain sustainable growth, in particular with the RMB4 trillion government investment package put forward by the Chinese government. The investment package focuses on public housing, rural infrastructure, transport infrastructure, health and education, environmental development and post-earthquake reconstruction, with major targets on the infrastructure facilities in Central and Western regions of China.

In addition, the Chinese government has mandated the elimination of 284 million tonnes of outdated cement production capacity by 2010. It is expected that industry consolidation will accelerate, and market shares and product sales will be further concentrated to leading companies. Given the strategic location of the Group's production plants and its leading market position, the Group is well-positioned to benefit from this immense business opportunity, gearing up for a promising future.

In response to the challenging market environment, the Group will continue to strengthen its market position in its strategic markets through capacity expansion, enhance its distribution network, improve operational efficiency, and continue to upgrade product quality through further product and process development.

Among the Group's key markets, Sichuan is poised to have the highest growth potential, driven by the post-quake infrastructure projects. Capitalizing on the robust demand and its strong presence in Sichuan, the Group expects the demand for cement in the Sichuan Region will continue to grow and will thus maintain its profit margin at a healthy level. The completion of No. 2 rotary kiln at Sichuan Yadong Plant in December 2008 will serve to further sustain the Group's growth momentum into 2009.

The Group will continue to speed up its expansion plan in Sichuan in order to capture the increasing market demand in the Sichuan Region, particularly in Chengdu and surrounding areas, as well as contributing to the rebuilding of the damaged areas with adequate supply of high quality cement. The construction of No. 3 rotary kilns at Sichuan Yadong Plant will be completed by the first quarter of

2010, as opposed to the original schedule of completion by the end of 2011. As a significant player in the Sichuan Region, the expansion plan will position the Group for further organic growth in the fast growing Sichuan market in the near future.

The rapid development of industrialisation and urbanisation in the Central Yangtze River Region, as well as the increasing investment in the infrastructure made by the government has brought a bright prospect for the region. As construction work of Han'e Urban Express Railway (漢鄂城際高速鐵路) and Hanxiao Urban Express Railway (漢孝城際高速鐵路) will be commenced in the first half of 2009, the demand for cement of these two projects will reach to 2,000,000 tonnes from 2009 to 2010, reflecting a huge development potential in the region.

While seizing the massive opportunities in Sichuan market, the Group will continue to commit in expanding the production capacity of Hubei Yadong Plant and Wuhan Yadong Plant. Following No. 1 rotary kiln at Hubei Yadong Plant in the Central Yangtze River Region commenced its production in the first quarter of 2009 and the expansion project of No. 2 rotary kiln began at the same time, the total annual rated capacity of clinker will increase to 8,300,000 tonnes in 2009.

Looking ahead, the Group will adopt a prudence and steady development strategy, react to market changes promptly and adjust accordingly, and will fully utilise waste such as pulverized fly ash from power plant, forming a waste-recycle economy in line with the Integrated Use VAT deduction (綜合利用減免增值稅) policy of the country to reduce costs, thus enhancing the Group's competitive edge and enlarging the market share.

OTHER INFORMATION

Dividend

In acknowledging continuous support from the Group's shareholders, the Board recommends the payment of a final dividend of RMB0.10 per ordinary share in respect of the year ended 31 December 2008, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The dividend will be payable on 25 June 2009 to shareholders whose names appear on the Register of Member of the Company on 17 June 2009.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 10 June 2009 to Wednesday, 17 June 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 9 June 2009.

Corporate Governance

During the year ended 31 December 2008, 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.

The audit committee has reviewed the accounting principles and practices adopted by the Group and has also reviewed auditing, internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2008, together with the management and external auditors.

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 (the "Code"). The Company, having made specific enquiry of all Directors, confirms that its Directors had compiled with the required standard set out in the Code throughout the year ended 31 December 2008.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the websites of the Stock Exchange of Hong Kong Limited ("Stock Exchange") (www.hkex.com.hk) and the Company (www.achc.com.cn). The annual report 2008 of the Company will be dispatched to shareholders and published on the aforesaid websites in due course.

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, 14 April 2009

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.