



Asia Cement (China) Holdings Corporation

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 743)

2008 Interim Results Announcement

HIGHLIGHTS OF THE SIX MONTHS ENDED 30 JUNE 2008

- The Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong on 20 May 2008 (Stock code: 743).
- For the first six months ended 30 June 2008, the revenue increased to RMB1,347.7 million, which represents 43% growth as compared to that of the same period in 2007. The net profit increased by 89% to RMB195.4 million compared to the same period last year.
- Basic earning per share amounted to RMB0.154, representing an increase of approximately 71% over RMB0.090 in the same period last year.
- Construction of No. 2 rotary kiln at Sichuan Yadong Plant and No. 1 rotary kiln at Hubei Yadong Plant are progressing for completion before the end of 2008.
- The operation of Sichuan Yadong Plant was only slightly affected by the earthquakes in Sichuan province. Both production and sales volume returned to the level that it had been prior to the earthquake.
- The Group plans to speed up the expansion plan in Sichuan by completing the construction of a third production line by the first quarter of 2010, in order to capture an increasing market demand in Sichuan Region.

THE FINANCIAL STATEMENTS

Interim 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 six months ended 30 June 2008 (the “reporting period” or the “period under review”), together with the comparative figures for the corresponding period in 2007 (the “Interim Results”) which have been audited by Deloitte Touche Tohmatsu and reviewed and approved by the Audit Committee, as follows:

Condensed Consolidated Income Statement

	<i>Notes</i>	Six months ended 30 June	
		2008	2007
		RMB'000	RMB'000
		(Audited)	(Unaudited)
Revenue	3	1,347,715	940,666
Cost of sales		(915,449)	(712,920)
Gross profit		432,266	227,746
Other income	4	47,974	52,017
Distribution costs		(84,580)	(66,096)
Administrative expenses		(110,568)	(48,418)
Share of results of jointly controlled entities		19	(709)
Finance costs		(70,759)	(46,096)
Profit before taxation	5	214,352	118,444
Income tax expenses	6	(18,981)	(14,833)
Profit for the period		<u>195,371</u>	<u>103,611</u>
Attributable to:			
Equity holders of the Company		171,814	84,711
Minority interest		23,557	18,900
		<u>195,371</u>	<u>103,611</u>
Dividend	7	<u>—</u>	<u>—</u>
Earning per share (RMB)			
Basic	8	<u>0.154</u>	<u>0.090</u>
Diluted	8	<u>0.154</u>	<u>N/A</u>

Condensed Consolidated Balance Sheet

		30 June 2008	31 December 2007
	<i>Note</i>	RMB'000 (Audited)	RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		5,792,720	4,898,567
Quarry		68,628	57,503
Interests in jointly controlled entities		28,206	28,187
Prepaid lease payments		283,805	285,793
Deposit paid for purchase of land use rights		168,295	96,295
Deferred tax assets		9,855	6,999
Long term receivables		25,580	29,518
		<u>6,377,089</u>	<u>5,402,862</u>
CURRENT ASSETS			
Inventories	9	394,391	279,712
Trade and other receivables	10	679,126	580,208
Prepaid lease payments		7,119	7,075
Long term receivable — due within one year		9,236	1,890
Amounts due from related companies		—	1,332
Available-for-sale investments		119,635	125,689
Restricted bank deposits		102,027	110,563
Time deposit		20,193	—
Bank balances and cash		2,745,779	620,216
		<u>4,077,506</u>	<u>1,726,685</u>
CURRENT LIABILITIES			
Trade and other payables	11	442,596	343,420
Amount due to related companies		4,670	6,394
Tax payables		4,374	20,825
Bank borrowings — due within one year		916,021	654,004
		<u>1,367,661</u>	<u>1,024,643</u>
NET CURRENT ASSETS		<u>2,709,845</u>	<u>702,042</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,086,934</u>	<u>6,104,904</u>
NON-CURRENT LIABILITIES			
Bank borrowings — due after one year		2,734,869	1,818,543
Deferred tax liabilities		4,661	3,398
		<u>2,739,530</u>	<u>1,821,941</u>
NET ASSETS		<u><u>6,347,404</u></u>	<u><u>4,282,963</u></u>

		30 June 2008	31 December 2007
	<i>Note</i>	RMB'000 (Audited)	RMB'000 (Audited)
CAPITAL AND RESERVES			
Share capital	12	139,549	2
Reserves		<u>6,089,501</u>	<u>3,843,683</u>
Equity attributable to equity holders of the Company		6,229,050	3,843,685
Minority interest		<u>118,354</u>	<u>439,278</u>
TOTAL EQUITY		<u><u>6,347,404</u></u>	<u><u>4,282,963</u></u>

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

Attributable to equity holders of the Company

	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Special reserve RMB'000	Revaluation reserve RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Minority Interests RMB'000	Total RMB'000
At 1 January 2008	2	1,377,066	106,360	268,145	1,619,677	1,689	—	470,746	3,843,685	439,278	4,282,963
Profit for the period	—	—	—	—	—	—	—	171,814	171,814	23,557	195,371
Gain on fair value charge of available- for-sale investment	—	—	—	—	—	1,550	—	—	1,550	—	1,550
Release upon disposal of available-for-sale investment	—	—	—	—	—	(1,404)	—	—	(1,404)	—	(1,404)
Total recognised income for the period	—	—	—	—	—	146	—	171,814	171,960	23,557	195,517
Capitalisation issue	101,016	(101,016)	—	—	—	—	—	—	—	—	—
Issue of new shares for acquisition	—	288,495	—	—	—	—	—	—	288,495	—	288,495
Issue of new shares for cash	38,531	1,868,841	—	—	—	—	—	—	1,907,372	—	1,907,372
Cost of issue new shares	—	(56,816)	—	—	—	—	—	—	(56,816)	—	(56,816)
Contribution from Asia Cement	—	—	—	17,893	—	—	—	—	17,893	—	17,893
Share-based payment	—	—	—	—	—	—	2,245	—	2,245	—	2,245
Acquisition of minority interest	—	—	—	—	54,216	—	—	—	54,216	(344,481)	(290,265)
At 30 June 2008 (audited)	139,549	3,376,570	106,360	286,038	1,673,893	1,835	2,245	642,560	6,229,050	118,354	6,347,404
At 1 January 2007 (audited)	2	1,082,281	67,172	238,125	1,623,254	74	—	263,734	3,274,642	211,296	3,485,938
Profit for the period	—	—	—	—	—	—	—	84,711	84,711	18,900	103,611
Release upon disposal of available-for-sale	—	—	—	—	—	34	—	—	34	—	34
Total recognised income for the period	—	—	—	—	—	34	—	84,711	84,745	18,900	103,645
Contributions from Asia Cement	—	—	—	19,609	—	—	—	—	19,609	—	19,609
Appropriations	—	—	331	—	—	—	—	(331)	—	—	—
Capital contributions from a minority shareholder	—	—	—	—	(3,577)	—	—	—	(3,577)	166,272	162,695
At 30 June 2007 (unaudited)	2	1,082,281	67,503	257,734	1,619,677	108	—	348,114	3,375,419	396,468	3,771,887

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Audited)	(Unaudited)
Net cash from operating activities	269,855	186,743
Net cash used in investing activities	(1,076,449)	(671,174)
Net cash from financing activities	<u>2,932,157</u>	<u>302,357</u>
Net increase in cash and cash equivalents	2,125,563	(182,074)
Cash and cash equivalents at 1 January	<u>620,216</u>	<u>800,199</u>
Cash and cash equivalents at 30 June	<u><u>2,745,779</u></u>	<u><u>618,125</u></u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 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).

The consolidated financial statements for the current period cover the six month period ended 30 June 2008. The corresponding comparative amounts shown for the consolidated balance sheet and related notes cover a twelve month period from 1 January 2007 to 31 December 2007 and therefore may not be comparable with amounts shown for the current period.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group was prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the disclosure requirements of The Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group’s financial information for the three years ended 31 December 2005, 2006 and 2007 which was set out in Appendix I to the prospectus of the Company dated 5 May 2008 (the “Prospectus”).

3. REVENUE AND SEGMENTAL INFORMATION

Business segment

The business activities of the Group can be categorized into cement (including cement products, clinker, blast-furnace slag power and related products) business and concrete business (including RMC). Segment Information in respect of these activities is as follows:

	Six months ended 30 June	
	2008	2007
	RMB’000	RMB’000
	(Audited)	(Unaudited)
Revenue		
— Cement business	1,215,248	890,485
— Concrete business	<u>132,467</u>	<u>50,181</u>
	<u>1,347,715</u>	<u>940,666</u>
Results		
— Cement business	312,786	123,746
— Concrete business	<u>3,152</u>	<u>492</u>
	315,938	124,238
Unallocated income	34,414	49,629
Unallocated expenses	(65,260)	(8,618)
Share of results of jointly controlled entities	19	(709)
Finance costs	<u>(70,759)</u>	<u>(46,096)</u>
	214,352	118,444
Income tax expenses	<u>(18,981)</u>	<u>(14,833)</u>
	<u>195,371</u>	<u>103,611</u>

Geographical segment

The Group's revenues by location of customers are principally derived from the PRC and more than 90% of the Group's operating assets are situated in the PRC.

	Six months ended 30 June	
	2008 RMB'000 (Audited)	2007 RMB'000 (Unaudited)
Revenue by location of customers:		
Yangtze River Delta Region	138,654	116,663
Central Yangtze River Region	675,319	533,369
Sichuan Region	519,748	275,535
Others	13,994	15,099
	<u>1,347,715</u>	<u>940,666</u>

4. OTHER INCOME

	Six months ended 30 June	
	2008 RMB'000 (Audited)	2007 RMB'000 (Unaudited)
Government grant	8,227	2,489
Sales of scrap materials	3,393	2,019
Tax refund	12,321	—
Transportation fee income	5,851	3,776
Rental income, net of outgoings	815	123
Gain on disposal of property, plant and equipment	—	28,789
Interest income	14,068	13,623
Others	3,299	1,198
	<u>47,974</u>	<u>52,017</u>

5. PROFIT BEFORE TAX

Profit before taxation has been arrived at after charging (crediting) the following:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Audited)	(Unaudited)
Staff costs, including directors' remuneration		
Salaries, wages and other benefits	76,273	51,495
Retirement benefits scheme contributions	<u>3,204</u>	<u>2,368</u>
Total staff costs	<u>79,477</u>	<u>53,863</u>
Auditor's remuneration	2,842	1,002
Depreciation and amortisation		
— Property, plant and equipment	164,533	129,467
— Prepaid lease payments	3,585	2,991
— Quarry	<u>1,224</u>	<u>1,206</u>
	<u>169,342</u>	<u>133,664</u>
Listing expenses	14,381	—
Allowance for doubtful debts, net	4,742	150
Exchange loss, net (include in administrative expenses)	22,777	4,489
Loss (gain) on disposal of property, plant and equipment	71	(28,789)
(Gain) loss on disposal of available-for-sale investments	<u>(1,404)</u>	<u>34</u>

6. TAXATION

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

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.

Pursuant to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries, other than Hubei Ya Li Transportation Co., Ltd and Oriental Holding Co., Ltd, are 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 five years, followed by a 50% reduction on the FEIT for the next three years (the "Tax Holidays").

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

Reform of the PRC Enterprise Income Tax Law

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 will be unified at 25% effective from 1 January 2008. There will be a transitional period for PRC subsidiaries that currently are entitled to preferential tax treatments granted by the relevant tax authorities. PRC subsidiaries currently subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower tax rate and be gradually transitioned to the new unified rate of 25% within five years after 1 January 2008. PRC subsidiaries that were entitled to Tax Holidays 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 will 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. The effect of this change has been reflected in the calculation of deferred taxation as at 30 June 2008.

7. DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 June 2008 (2007: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share amount is based on the audited consolidated profit for the six months ended 30 June 2008 attributable to equity holders of the Company of approximately RMB0.154 (2007: approximately RMB0.09), and the weighted average number of 1,113,973,000 shares (2007: 942,963,000 shares) in issued during the period under review. The weighted average number of shares used in the calculation of earning per share for 2008 and 2007 have been adjusted for the 1,124,978,308 shares issued pursuant to the capitalisation issue.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share which is the share options granted to the directors of the Company and the employees of the Group under the Pre-IPO Share Option Scheme (defined hereinafter). For the share options, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2008 RMB'000 (Audited)	2007 RMB'000 (Unaudited)
Profit attributable to equity holders of the Company	171,814	84,711
Weighted average number of ordinary shares in issue ('000)	1,113,973	942,963
Adjustments for share options	1,554	N/A
Weighted average number of ordinary shares for diluted earnings per share	1,115,527	942,963
Diluted earnings per share	0.154	N/A

Diluted earnings per share was not disclosed for the six months ended 30 June 2007 as there were no dilutive potential ordinary shares during that period.

9. INVENTORIES

	30 June	31 December
	2008 RMB'000 (Audited)	2007 RMB'000 (Audited)
Spare parts and ancillary materials	176,851	167,152
Raw materials	136,319	69,021
Work-in-progress	48,868	16,712
Finished goods	<u>32,353</u>	<u>26,827</u>
	<u><u>394,391</u></u>	<u><u>279,712</u></u>

10. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period from 30 to 60 days for cement customers and 180 to 365 days for concrete customers.

	30 June 2008	31 December 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Trade receivables		
0–90 days	290,908	331,740
91–180 days	131,381	113,066
Over 180 days	38,428	22,658
	460,717	467,464
Other receivables	92,660	26,440
Advances to suppliers	93,764	49,456
Deposits	776	1,446
Prepayments	16,141	3,158
Value-added tax receivable	15,068	32,244
	679,126	580,208

11. TRADE AND OTHER PAYABLES

	30 June 2008	31 December 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Trade payables		
0–90 days	110,235	67,601
91–180 days	4,197	374
Over 180 days	3,316	580
	117,748	68,555
Accruals	61,746	45,266
Deposits	47,448	48,012
Value added tax payable	40,231	28,223
Construction cost payable	143,525	109,167
Other payables	31,898	44,197
	442,596	343,420

12. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each as of 1 January 2008	3,800,000	380
Increased on 27 April 2008	<u>9,996,200,000</u>	<u>999,620</u>
Ordinary shares of HK\$0.1 each as of 30 June 2008	<u><u>10,000,000,000</u></u>	<u><u>1,000,000</u></u>
Issued and fully paid:		
Ordinary shares of HK\$0.1 each as of 1 January 2008	19,946	2
Capitalisation issue	1,124,978,308	112,498
Issue of new shares	<u>431,251,746</u>	<u>43,125</u>
Ordinary shares of HK\$0.1 each as of 30 June 2008	<u><u>1,556,250,000</u></u>	<u><u>155,625</u></u>
Shown in the financial statements as		RMB139,549,000

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Board, is pleased to announce the Group's first interim results after its listing on the Main Board of Stock Exchange on 20 May 2008. The successful listing has laid a solid foundation for the Group's future expansion plans, enabling it to accelerate expansion of its production capacity and distribution network.

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 ranging from the excavation of principal raw materials to the production, sale and distribution of clinker and different types of cement and RMC products through a well-established road and riverway transportation network to its principal markets. The Group's cement and RMC products are sold in Shanghai and the provinces of Jiangxi, Hubei, Sichuan, Zhejiang, Anhui and Fujian.

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

With the 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 increase of energy cost and successfully achieved its profit forecast as stated in the Prospectus.

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 2008	30 June 2007
Region		
Yangtze River Delta	138,654	116,663
Central Yangtze River	675,319	533,369
Sichuan Region	519,748	275,535
Others	<u>13,994</u>	<u>15,099</u>
Total	<u><u>1,347,715</u></u>	<u><u>940,666</u></u>

In the reporting period, the Group's revenue amounted to RMB1,347.7 million, representing an increase of RMB407.0 million or 43% over that of RMB940.7 million for the corresponding period of 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.

In respect of revenue contribution for the six months ended 30 June 2008, sales of cement products and related products accounted for 90% (2007: 95%) and the sales of concrete accounted for 10% (2007: 5%).

Gross Profit and Gross Profit Margin

The gross profit in the period under review was RMB432.3 million, representing a gross profit margin of 32% on revenue and a significant improvement on the gross profit of RMB227.7 million and gross profit margin of 24% in the corresponding period of 2007. The significant improvement in gross profit and gross profit margin reflected the increase in average selling prices of the Group's products was greater than the increase of unit cost and the economies of scale achieved.

Other Income

Other income mainly comprises the government grants, transportation fee income, interest income, exchange gain and gain on disposal of property, plant and equipment. For the six months ended 30 June 2008, the other income amounted to RMB48.0 million, representing a decrease of RMB4.0 million or 8% over that of RMB52.0 million for the corresponding period of 2007. The decrease in other income was attributable to the net effect of (i) the increase in transportation fee income from the increased sales activities, (ii) the increase in tax refund and (iii) no material disposal of assets was made during the period under review.

Distribution Costs, Administrative Expenses and Finance Costs

For the six months ended 30 June 2008, the distribution costs amounted to RMB84.6 million, representing an increase of RMB18.5 million or 28% over that of RMB66.1 million for the corresponding period of 2007. The increase in distribution costs was attributable to the increase in sale activities during the period under review.

Administrative costs, including staff salaries, depreciation expenses, IPO expenses, listing related expenses and other general office expenses was increased by 129% from RMB48.4 million to RMB110.6 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; (ii) the increase in professional fees in relation to IPO exercise; (iii) the incurring of listing related expenses upon the Group's listing in May 2008; and (iv) the increase in exchange loss that arose from the revaluation of the assets that denominated in United States dollars and Hong Kong dollars at the period end.

The 54% 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.

Net Profit

In the reporting period, the net profit of the Group amounted to RMB195.4 million, representing an increase of RMB91.8 million or 89% over that of RMB103.6 million for the corresponding period of 2007, while the net profit margin also increased from 11% to 14%. The substantial increase of net profit and net profit margin was mainly attributable to the increase in production output and the improvement of gross profit margin.

Financial Resources and Liquidity

The Group maintained a strong financial and liquidity position for the six months ended 30 June 2008. The total assets increased by 47% to approximately RMB10,454.6 million (2007: approximately RMB7,129.5 million) while the total equity grew by 48% to approximately RMB6,347.4 million (2007: approximately RMB4,283.0 million).

As at 30 June 2008, the Group had cash and cash equivalents amounted to approximately RMB2,745.8 million. After deducting the total interest-bearing bank borrowings of RMB3,650.9 million, the Group had a net borrowing of approximately RMB905.1 million. In view of its cash-rich position, the Group continues to explore any investment or business development opportunities to utilise its cash resources with an aim to enhance the Group's profitability and values to its shareholders.

As at 30 June 2008, the Group's gearing ratio was approximately 39% (2007: 40%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2008 and 2007 respectively.

Initial Public Offerings (“IPO”)

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. A total net proceeds received by the Company from the IPO was approximately HK\$2,049.83 million.

As stated in the Prospectus, the Company plans to use the proceeds for the expansion of our production capacity, strategic acquisitions and investments, repayment of bank borrowings, and general working capital purposes. As at the date of this report, the Company does not anticipate changes to this plan.

Foreign Exchange Risk Management

The Group's sales and purchases in the reporting period were mostly denominated in Renminbi. Fluctuation of exchange rate of Renminbi against Hong Kong Dollar could affect the Group's results of operation. Nevertheless, the Group has not experienced any material difficulties or effects on its operations or liquidity as a result of the fluctuations in currency exchange rates during the year. Besides, the Group will conduct periodic review of its exposure to foreign exchange risk and may use financial instrument for hedging purpose when considered appropriate.

Material Acquisition and Disposals of Subsidiaries and Affiliated Companies

Save as disclosed, the Group did not make any material acquisition or disposals of subsidiaries or affiliated companies during the six months ended 30 June 2008.

Major Capital Commitments

As at 30 June 2008, the Group's capital expenditure in respect of the acquisition of land use rights, property, plant and equipment contracted but not provided for in the financial statements amounted to approximately RMB693.5 million. The Group anticipates funding those commitments from proceeds from the initial public offerings, future operating revenue, bank borrowings and other sources of finance when appropriate.

Contingent Liabilities

As of the date of this announcement and as at 30 June 2008, the Board is not aware of any material contingent liabilities

Human Resources

As at 30 June 2008, the Group had 2,722 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 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 30 June 2008, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Future Prospects

The PRC government's objective is to develop an advanced, consolidated, energy-efficient and environmentally-friendly cement industry. As such, the PRC government encourages the establishment of large-scale New Dry Process ("NDP") cement production facilities while implementing policies to eliminate small-scale cement producers, particularly those with less efficient vertical kilns. The continuous phase out of outdated capacity will improve the demand and supply balance in next few years.

Given the devastation brought by the earthquake in Sichuan province, the demand for higher grade cement with stronger load-bearing capabilities will increase further. Besides, the reconstruction of decimated area is expected to create additional cement demand. With the construction of No. 2 rotary kiln at Sichuan Yadong Plant and No. 1 rotary kiln at Hubei Yadong Plant progressing for completion before the end of 2008, the rated capacity of the Group will increase to 8.32 million tones of clinker. This will serve to further sustain the Group's growth momentum into the year of 2009.

Among its existing regional markets, the Group's cement sold in Sichuan Region enjoys the highest profit margin despite the increase of energy cost and the price control imposed by the PRC government. Capitalising on the robust demand and its strong presence in Sichuan, the Group expects the demand for cement in Sichuan Region will continue to grow and will thus sustain the profit margin to stay at a healthy level. Going forward, the Group plans 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 rebuild of the damaged areas with adequate supply of high quality cement. As such, the construction of a third production line in the region will be completed by the first quarter of 2010, as opposed to the original schedule of completion by the end of 2011.

The Group's mission is to be a leading integrated cement producer in the PRC in order to maximize shareholder value. To achieve this, the Group will continue to adopt the following strategies:

- Strengthen the Group's market position in its key regional markets through capacity expansion and leverage its strengths to increase its market share in other markets;
- Increase sales and marketing activities and strengthen the Group's distribution network;

- Improve operational efficiency in the Group’s production process, transportation and logistics network; and
- Upgrade the Group’s product quality in order to meet customer preference through further product and process development.

CORPORATE GOVERNANCE

During the six months ended 30 June 2008, the Company has complied 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2008, 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.

PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company’s Interim Report 2008 for the six months ended 30 June 2008 will be 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) in due course.

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

Hong Kong, 31 July 2008

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.