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

ASIA CEMENT
ANNUAL REPORT 2011

Content

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

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

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

MEMBERS OF NOMINATION 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

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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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

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31/F, AIA Central
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AUDITORS

Deloitte Touche Tohmatsu
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STOCK CODE

743

COMPANY WEBSITE

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CONTACT DETAILS

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Financial Highlights

	Notes	2011 RMB'000	2010 RMB'000	% Change Increase
Revenue		**8,206,833**	5,707,320	44
Gross profit		**2,286,398**	1,201,745	90
Profit for the year		**1,389,395**	527,730	163
Profit attributable to owners of the Company		**1,340,836**	510,873	162
Gross profit margin		**28%**	21%	33
Net profit margin	*1*	**17%**	9%	89
Earning per share				
— Basic		**RMB0.86**	RMB0.33	161
— Diluted		**RMB0.86**	RMB0.33	161
Total assets		**16,122,366**	14,499,900	11
Net assets		**8,723,633**	7,489,789	16
Liquidity and Gearing				
Current ratio	*2*	**2.58**	1.52	
Quick ratio	*3*	**2.23**	1.22	
Gearing ratio	*4*	**0.46**	0.48	

Notes:

1. *Net profit margin is calculated as profit for the year 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.*

Hsu Shu Tong *Chairman*

To our shareholders,

On behalf of the Board of Directors of Asia Cement (China) Holdings Corporation (hereinafter referred to as the "Company"), together with its subsidiaries (collectively "Asia Cement (China)" or the "Group"), I am pleased to present to our shareholders the annual report of the Group for the year ended 31 December 2011.

Chairman's Statement

The international economic situation in 2011 was complicated and tough. Although the global economy continued to show signs of recovery, the pace of recovery had been slowed under the impact of various factors including volatility in international financial markets, slowdown in the growth of emerging and developing economic systems, growth in global trade below expectations, onslaught of natural disasters, and the European sovereign debt crisis. Amid an unsettling global economic situation, the PRC focused on economic transformation while insisting on adopting positive fiscal policies and prudent monetary policies to keep on strengthening and improving macro-economic control. In 2011, China's economy in general sustained a stable development, and moved on to a development path paved by the austerity measures. The industrial enterprises above national standard realized a profit of RMB5,454.4 billion, representing a growth of 25.4% from that of last year. The GDP for the year was RMB47,156.4 billion representing a growth of 9.2%, indicating a good start of economic and social development for the "Twelfth-Five Year Plan" period.

Cement industry performed extremely well in 2011. Despite the complicated issues in the international and domestic economies mentioned above, the impact of natural disasters and international financial crisis on various regions, and a number of negative factors such as soaring coal prices, the cement industry saw growth in both the price and quantity as a result of rising demand, thereby maintaining positive growth momentum while economic benefits rose steadily. The national cement production volume reached 2.063 billion tonnes, representing a year-on-year growth of 16.1%. Such growth rate showed an increase of 0.6 percentage point over that of the previous year. The price of cement showed an upward trend. For the full year, the cement industry generated a profit of over RMB100 billion, representing a growth of over 90%. The average profit per tonne was nearly RMB50, making it the sector showing the best performance among all raw materials sectors.

Capitalizing on the overall development of the industry and regional market development, the Group achieved record-high results in 2011 since its Hong Kong listing. In particular, the Group would like to share with all the shareholders the good news that it had realized outstanding results in production, sales, operating income and net profit.

The Group is under the Far Eastern Group in Taiwan, and is one of the first cement manufacturers entering into China's cement industry. Over the years, the Group has been adhering to the highest guidance principle – "integrity" for its business operations and development. It has established foothold in the four provinces of Jiangxi, Hubei, Sichuan and Jiangsu. The Group has always adopted a pragmatic approach in management and upholds the operating principles of eco-friendly operation, high quality, high efficiency and low cost. The Group's imported cutting-edge dry process rotary kilns are at the forefront of the industry. They can operate efficiently throughout the year, producing products of consistent quality, with relatively low energy consumption. With product quality better than its counterparts and supreme customer services, the Group has earned trust from its customers and respect from industry peers. During 2011, in accordance with its established development strategies, the Group, on the aspect of production, continued to maintain a high utilization rate and over-production rate, reduce the cost of raw material through various measures, efficiently coordinate its production, sales and resources in the Group's four major production bases, thereby maintaining 100% production-to-sales ratio. With respect to marketing, the goal was set to increase the market share in the neighbouring area of the factory within the region. By using water transportation, the Group could maximize the market coverage. With the combined efforts of all the staff members of the Group, the annual sales income, gross profit, net operating profit and net profit after tax of the Group significantly exceeded planned targets. The Group thus realised the corporate vision to achieve a sustained, stable and healthy development.

China will "stabilize growth, control price, and adjust its economic structure" under the country's economic policies for 2012. Therefore, it is expected that the macroeconomic environment will undergo a structural change, which in turn will lead to further restructuring in the cement industry. In 2012, demand for cement will in general continue to grow. However, affected by the slowdown in the growth of both infrastructure and properties investment, there will be a significant decline in the growth of cement demand when compared with that in 2011. With regard to production capacity, the growth rate will be much higher than that of demand, with investment in the cement industry reaching its peak in 2012. The inauguration of new production capacities resulted from investment made two years ago will create excessive capacity in the cement industry. Taking into account the above two factors, it is expected that cement prices will be under downward pressure in 2012. Under the guidance of industry policies of restricting new construction, eliminating obsolete capacities, and encouraging merger and acquisition and restructuring in recent years, there will be a further rise in industry concentration. It is expected that the concentration of cement production capacity of the top 10 corporations will reach 25%, with the market dominated by large enterprises gradually taking shape. This will definitely have a positive impact on facilitating healthy development of the cement industry and stabilizing cement price within the region.

To conclude, in 2011, under the leadership of its core management, the Group achieved outstanding results. The board of directors hereby takes this opportunity to express their gratitude to the management and all the staff of the Group for their hard work in the past year, and would like to thank all the shareholders, business partners, bankers and auditors for their tremendous support and trust. The Group will continue to uphold its business philosophy of "Integrity, Diligence, Simplicity, Prudence and Innovation". It will constantly monitor changes in the business environment and timely capture any opportunities thus arise. The Group will incorporate new ideas in its planning, remain innovative, pursue excellence and growth. It will continue to breathe new life into the company, in order to create greater corporate growth value for its shareholders.

Hsu Shu Tong
Chairman

Chang Tsai Hsiung *Vice Chairman*

Vice Chairman's Statement

The "Twelfth Five Year Plan", which received much attention, focuses on expanding domestic demand, facilitating a balanced development within the region and industry upgrade. It also steps up efforts to develop emerging industries, with an intention to transform from a world factory to a world market, fueling the economy with new energy. However, while China moves towards this goal, enterprises see their operating costs affected by insufficient labour supply and rising wages, which squeeze profits and pose tremendous challenges to the enterprises. In the face of this imminent situation, the Group will continue to closely monitor the latest development and make timely adjustment to its strategies in order to make the best decision.

To be in line with the government policies and the forecasted high GDP growth rate, the Group will continue to add new plants or production lines through various approaches, in order to expand the scale of production and sales, with an aim to achieve a production capacity of 50 million tonnes per annum. To achieve this, the Group will not only continue to construct approved projects to achieve organic growth, but will also conduct merger and acquisition or strategic cooperation. However, in view of the severely excessive production capacity in the PRC domestic cement industry, the Group will, during the execution of its expansion plan, put special emphasis on the planning for enhancing product competitiveness. As for the merger and acquisition strategy, the Group adheres to the principle of "never settle for anything but the best". The Group will only acquire cement companies that have good fundamentals and will create synergy with the Company's existing business for a reasonable price. It will not acquire projects just for the sake of increasing production capacity while compromising its competitive edge that is a prerequisite for future development. Meanwhile, the Group will continue to identify suitable location along the coastal areas of the Yangtze River, to set up a transfer station or grinding plant to expand product sales and market penetration. In addition, to ensure downstream business development, with an aim to achieve the initial target of using 10% self-produced cement, the Group will also intensify the development of the concrete and finished products business through seeking opportunities for cooperation with public construction companies. As the Group's operations span from Jiujiang of Jiangxi to Wuhan of Hubei and further extend to Chengdu of Sichuan, they have formed an extensive strategic network. Furthermore, the Group has established a strong presence in central China. The Group currently ranks first in terms of market share in Wuhan, Nanchang, Jiujiang and Yangzhou, and ranked second in Chengdu. The Group has become one of the top three cement groups in the central area of China.

Looking ahead, the Group plans to expand its coverage to the northern area and even to the northwest market. It is expected that the goal of an annual production capacity of 50 million tonnes will be achieved by 2015. The Group will also continue to leverage on its competitive edge in high capacity utilization rate. It will strive to be a quality company instead of a big company. Achieving the highest profit in the industry is the Group's requirement for its business.

Chang Tsai Hsiung
Vice Chairman

Wu Chung Lih *Chief Executive Officer*

To our shareholders,

The Group's sales revenue for the year ended 31 December 2011 was RMB8,206.8 million and net profit after tax was RMB1,389.4 million, representing increases of 44% and 163% respectively from those of last year. These are record high results achieved by the Group since its establishment. The basic earnings per share for the year under review was RMB0.86.

CEO's Review

During the year under review, the five new production lines added during 2010 commenced full production, significantly increasing the production capacity and sales volume. In 2011, the production volume of clinker was 17,220,000 tonnes, representing a 16% increase from that of last year; and the production volume of cement (including slag powder) was 24,680,000 tonnes, representing a 15% increase from that of last year. In 2011, the annual sales volume of cement was 22,400,000 tonnes, together with 440,000 tonnes of clinker and 1,170,000 tonnes of slag powder, the aggregated sales volume was 24,010,000 tonnes, representing a 17% increase from that of last year. Benefiting from the significantly higher average price of products compared with that of last year, the gross profit in 2011 reached RMB2,286.4 million, representing a significant increase of 90% from that of last year.

Under the leadership of Mr. CHANG, Tsai-hsiung, the former CEO, the Group broke new records in operating results in 2011. In addition, the first phase of the construction plan for 10 sets of kilns was completed. In order to continue and begin a new phase of development of the Group, the Board resolved that with effect from 1 September 2011, the former CEO was promoted to Vice Chairman of the Group to provide guidance on key strategies. The Board also assigned frontline execution functions to the new management team. The new management team will carry on the historical mission, which is to implement the Group's future development strategies and take the Group to a new high level. To accomplish this mission, after conducting studies and discussions, the Group will further expand its production capacity, upgrade its information technology, undertake a comprehensive technical overhaul, enhance internal management and strengthen manpower development.

With respect to production capacity expansion, in order to capture market opportunities, the Group has formulated development strategies of expansion through the construction of new production lines and acquisitions, as well as further vertical integration. The Group will speed up the construction of Jiangxi Yadong No. 5 and No. 6 new dry process rotary kilns, while proactively identifying targets for merger and acquisition, strategic collaboration or investment within/outside the industry. To achieve further vertical integration, the Group will establish its own plants or cooperate with state-owned pre-mixed plants to provide services directly to various infrastructure projects. Jiangxi Yadong No. 5 and No. 6 new dry process rotary kilns will have a daily production capacity of 6,000 tonnes of clinker. Both kilns are currently under construction and are expected to be completed and put into production in 2013. By that time, the annual production capacity of clinker may reach 20,000,000 tonnes with actual annual production volume of 23,850,000 tonnes, while the annual production volume of cement products will exceed 30,000,000 tonnes. In addition, according to the Plans for Industrial Transformation and Upgrading (《工業轉型升級規劃》) issued by the State Council in respect of the development direction of key industrial segments, it emphasizes optimization in the raw material industry. With respect to the cement industry, it explicitly points out "key support should be given to construction of production lines using cement kilns to treat urban domestic waste, urban sewage sludge and industrial wastes". Therefore, the Group will grasp the opportunity arising from such policy and strive to obtain government approval of the expansion of the demonstrative production lines in No. 3 kiln at Hubei Yadong Plant and No. 2 kiln at Huanggang Yadong Plant for treating urban sewage sludge and wastes. Another point worth mentioning is that the energy-saving and mine reclamation projects of the cement plants we constructed in Jiangxi and Hubei have made significant progress. After receiving invitation from the relevant government department, the Group plans to, upon obtaining approval, build a modern eco-friendly cement and building materials plant integrated with waste treatment facilities in northern China region.

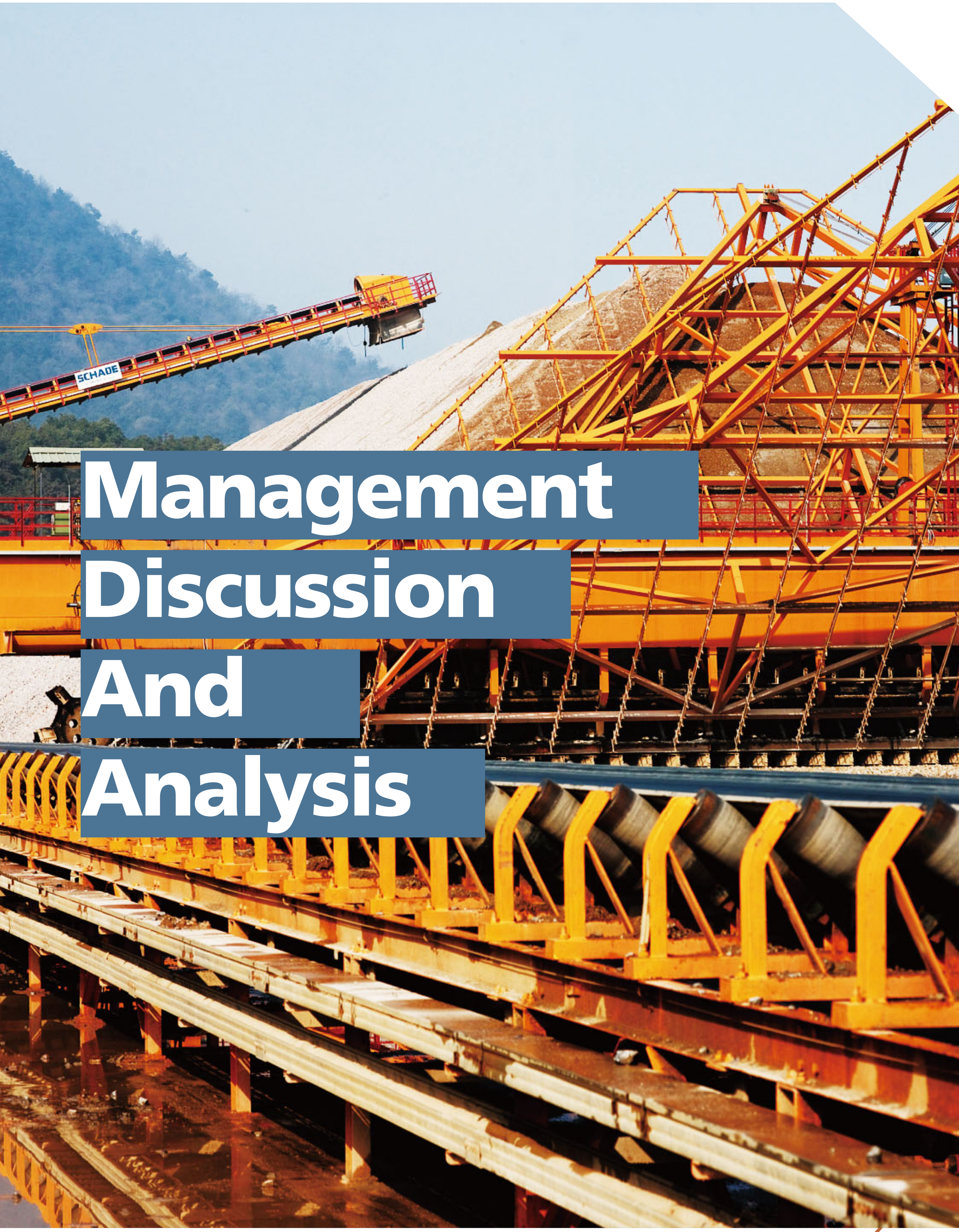
The Group has always been in the forefront of industrial and corporate informatization and automation development. The development of information technology and automation system in accordance with its development strategies and objectives has also provided highly effective support and backup. For instance, the upgrading of the functionality of SAP (ERP) is for the purpose of optimizing and enhancing applications as priorities. The Group also carried out SAP-Notes integration, and integration of production equipment, floor scales for delivering and receiving goods and OA application system. The above measures have significantly augmented the applications of the Group's electronic technologies. Furthermore, capitalizing on this advanced concept, the Group has also refined its operation management platform, strengthened its internal control, streamlined workflow and enhanced the Company's management and work efficiency in various aspects. Such efforts have earned the Group high recognition within the cement industry in China.

Technological modification is important in driving the perpetual growth of a company. In order to maintain and further improve the Group's production efficiency and product quality, the Group had fully leveraged the advantages of lower investment cost, shorter cycle and higher efficiency brought forth by technological modification. Since the second half of 2011, the Group had strengthened the management of inspection of raw materials upon their arrival at the factory and homogenization; separated the grinding of sandstones; and modified and upgraded the new cooling system. The Group also introduced various innovative techniques such as the pre-distribution system of quarried clay, which facilitate the Company's innovation-driven development and internal improvement. At present, the 10 sets of cement short kilns constructed by the Group all have volume productivity of over 260 kg/cbmh, with a maximum of 295 kg/cbmh, which makes the Group stand out from its peers. With the various technological modifications and innovative initiatives beginning to take effect, the Group believes its productivity and product quality will further improve in the future.

Refined management assures stable development of a corporation. It is also an institutional foundation for promoting standardized management and optimizing operating efficiency. With respect to the six aspects of improving marketing strategies and systems, enhancing the design and construction management of new projects, building and promoting the centralised purchasing platform, activating and implementing the personnel system, SAP-Notes integration and optimisation, selecting and training the next generation of management, the incumbent management constantly explores potential within the Group, improves execution, shares new ideas and enhances vertical and horizontal coordination for reflecting the results of implementing refined management. The Group will increase the efficiency of resources allocation and management, in order to build a solid foundation for the Group to realize its various strategic goals of development in the next 10 or 20 years.

From various industry analysis, the cement market conditions in 2012 will even be tougher than that of 2011 or before. The problem of excessive production capacity will aggravate, while the rising prices of raw materials and energy will pose challenges to the industry. Faced with an unpredictable market, the Group, under the close cooperation within the new management and the stewardship of the experienced predecessor, is all set and ready to uphold the traditional values of the Company. By capitalizing on its competitive edge, the Group is well-poised to maintain excellent performance in 2012.

Management Discussion And Analysis



Management Discussion and Analysis

1. BUSINESS REVIEW

2011 is the first year of the "Twelfth Five-year Plan". Having overcome various challenges such as persistent high domestic inflation and volatility in overseas capital markets, the PRC government attained outstanding achievements, including a 9.2% increase in GDP for the full year and a 25% increase in fixed asset investment. In respect of the cement market, the commencement of construction of over 10,000,000 units of affordable housing in 2011, together with the successive launches of large-scale hydraulic engineering works and rapid development of cement products industry (such as commercial concrete, pipe piles factory, etc) significantly drove cement demand. As the impact of regulations on the property industry was less severe than expected, investment in property development projects had maintained a growth of 20%. All these factors contributed to a national cement consumption of 2,080,000,000 tonnes in the PRC in 2011, which represented an increase of 12% from 1,860,000,000 tonnes in 2010. Such growth has attracted greater attention to the market.

The cement market movements in 2011 were basically moderate, without the occurrence of great volatility. Both market supply-and-demand and price were higher than expected. The first half of the year continued the growth momentum in the fourth quarter of 2010. The market remained "robust in low season" with selling price hovering at high levels. While in the second half of the year, it became "sluggish in peak season" due to adverse effects of global and national financial environment, including tight monetary policy and suspension and slowdown in construction of key projects. However, with the gradual development of large cement companies in recent years, there is a significant increase in market concentration and dominance, allowing more effective market adjustment. As a result, the total profit of cement industry exceeded RMB100 billion and net profit reached a record high of RMB50/tonne.

The government expedited the elimination of obsolete production capacities and shut down a total of 782 obsolete cement corporations with an aggregate capacity of 153,000,000 tonnes, which is the largest amount of cement production capacity being eliminated in recent years. Such elimination has also significantly optimised the structure of the cement industry. In the areas in which the Group operates, a cement association was established with the help of the government's building material department. This has not only improved industry's self-discipline, but also has played an active role in promoting energy-saving and emission reduction and accelerating the elimination of obsolete production capacities. To certain extent, this has maintained the balance of competition among industry players and stabilised the market price.

Being one of the sizeable and renowned cement producers in China, the Group has substantial market influence in Sichuan and mid and downstream areas of the Yangtze River. As the majority of products sold mainly comprise bulk cement of high grade (42.5 and above), these high quality products and good services have earned wide market recognition and

are designated for use in a number of key projects. In 2011, the Group sold a total of 22,400,000 tonnes of cement, representing an increase of 15% from 19,500,000 tonnes in 2010. High-end brand image and a sound operation have lifted the average selling price of cement products by over RMB60/tonne when compared with that of 2010. Profit per unit and total profit substantially exceeded the Group's expected targets.

Sichuan Region

At the end of 2010, the total cement production capacity of Sichuan province was 168,000,000 tonnes, with actual production volume of approximately 132,000,000 tonnes. In 2011, there was an increase of 20,000,000 tonnes in cement production capacity, while the production volume in the province exceeded 150,000,000 tonnes (production capacity reached nearly 200,000,000 tonnes), representing a growth rate of 26% over 2010, which is significantly higher than the national average growth rate of 12%. The severe excessive production capacity directly intensified competition among the industry players. Meanwhile, as post-earthquake reconstruction works were basically completed, demand for cement weakened, resulting in increased inventory level for a number of factories. Furthermore, due to the highly scattered market, the clinker production capacity of the top 10 cement corporations only accounted for 35% of the market's total, meaning the market concentration rate was far lower than that in other regions and there existed no single dominant market player. Under such harsh market conditions, some local companies started to work together toward the goal of achieving a supply-and-demand balance, while avoiding vicious competition so as to keep the cement price at a steady level for the full year. Affected by the market conditions, the Group in 2011 sold a total of 4,930,000 tonnes of cement in the Sichuan region, which represented a slight decrease when compared with 5,200,000 tonnes in 2010.

Central and downstream regions of Yangtze River

The central and downstream regions of Yangtze River including Jiangsu, Jiangxi, Hubei, Zhejiang, Shanghai and other provinces and cities, accounted for over 70% sales of the Group. Although there was also excessive production capacity in these regions, the markets were relatively mature and industry concentration was high, making it easier for industry players to reach mutual understanding. Despite reduction in key construction projects, the pressure on the property industry and weak market demand, the cement price in this region remained high without much fluctuation. There was remarkable growth in economic benefits of various groups/companies when compared with those of the previous year.

The region in close proximity to the factory areas is the market where the Group is most competitive and makes a majority of its profit. In addition, the Group has been committed to environmental protection, as well as maintaining operating principle of high quality, high efficiency, low cost and providing excellent services. All these have helped the Group's products gain increasing popularity among customers, while enabling the Group to increase its market share in these regions even when market demand only saw a moderate growth. The Group ranked first in market share in Nanchang-Jiujiang Industrial Corridor (昌九工業走廊), Greater Wuhan and its peripheral area (大武漢周邊地區) and Yangzhou, which significantly enhanced the Group's dominance in the market. In 2011, the Group sold a total of 17,470,000 tonnes of cement in central and downstream regions of Yangtze River, representing an increase of 22% from 14,300,000 tonnes in 2010. Not only the sales volume reached a historical high, but also the selling price had remained at high levels, which together generated a considerable amount of profit for the Group.

To achieve business diversification so as to create synergy effects, the Group expanded into downstream sales distribution to seek a new profit centre. The Group established a collaboration with CSCEC Concrete Co., Ltd. (中建商品混凝土有限公司) to jointly establish Hubei Zhongjian Yadong Concrete Company Limited, thereby successfully taking its first step towards downstream expansion.

Operating Results

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 2011, the Group's revenue amounted to RMB8,206.8 million, representing an increase of RMB2,499.5 million or 44% over that of RMB5,707.3 million for 2010. Below is a breakdown of the Group's revenue by region during the reporting period.

Region	2011 RMB'000	%	2010 RMB'000	%
Central Yangtze River	**4,783,948**	**58**	3,068,363	54
Sichuan	**1,711,861**	**21**	1,659,913	29
Yangtze River Delta and Others	**1,711,024**	**21**	979,044	17
Total	**8,206,833**	**100**	5,707,320	100

In respect of revenue contribution for 2011, sales of cement products accounted for 87% (2010: 88%) and sales of concrete accounted for 8% (2010: 9%). The table below shows the sales breakdown by product during the reporting period:

	2011 RMB'000	%	2010 RMB'000	%
Cement Products	**7,112,885**	**87**	5,008,494	88
Clinker	**119,653**	**1**	75,182	1
RMC	**672,860**	**8**	510,159	9
Blast-furnace slag powder	**301,435**	**4**	113,485	2
Total	**8,206,833**	**100**	5,707,320	100

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

	2011 '000 units	2010 '000 units
Cement Products	**22,401**	19,499
Clinker	**444**	367
RMC	**2,017**	1,780
Blast-furnace slag powder	**1,171**	633

Note: The sales volume for cement, clinker, and blast-furnace slag powder is measured in tonnes and that 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 was RMB317 per tonne in 2011 (2010: RMB257 per tonne).

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 amortisation and other overhead costs. In 2011, the Group's cost of sales increased by 31% to RMB5,920.4 million from RMB4,505.6 million for 2010 due to the expansion of the Group's overall business.

The gross profit for 2011 was RMB2,286.4 million (2010: RMB1,201.7 million), with a gross profit margin of 28% (2010: 21%). The significant improvement in gross profit was mainly attributable to (i) the increase of production capacity and sales volume after 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, No. 4 new dry process rotary kiln at Jiangxi Yadong Plant, No. 2 new dry process rotary kiln at Hubei Yadong Plant and Wuhan Yaxin Cement Co., Ltd.; and (ii) the significant increase in average selling price of the Company's products compared with that of the previous year.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income and sales of scrap materials. For 2011, other income amounted to RMB134.4 million, representing an increase of RMB80.1 million or 148% from RMB54.3 million of 2010. The increase in other income was attributable to (i) the increase in government grants; and (ii) increase in interest income on bank deposits during the year.

Other Gains and Losses

Other gains and losses mainly comprise exchange gains and allowance of doubtful debts. For 2011, other gains and losses amounted to RMB142.9 million, representing an increase of RMB88.5 million or 163% from RMB54.4 million of 2010. The increase in other gains and losses was principally attributable to the increase in exchange gains from US dollar-denominated bank borrowings.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2011, the distribution and selling expenses amounted to RMB324.2 million, representing an increase of RMB54.3 million or 20% over that of RMB269.9 million for 2010. The increase in distribution costs was attributable to the increase in sales activities in 2011.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses increased by 31%, from RMB218.7 million to RMB286.4 million. The increase was attributable to the increase in headcounts of administrative staff and the expenses incurred by the Group for the purpose of expanding its operation and production capacity.

The 20% increase in finance costs was mainly due to less borrowing costs were capitalised during the year since the commencement of operation of four new production lines.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2011 increased by RMB1,098.8 million, or 171%, to RMB1,742.1 million from RMB643.3 million for 2010.

Income Tax Expenses

In 2011, income tax expenses increased by RMB237.1 million, or 205%, to RMB352.7 million from RMB115.6 million for 2010. The effective tax rate of the Group increased from 18.0% for 2010 to 20.2% for 2011, primarily attributable to the increase in profit contribution from Central Yangtze River region which has a higher rate of Enterprise Income Tax.

Non-controlling Interests

In 2011, non-controlling interests amounted to RMB48.6 million, representing an increase of RMB31.7 million, or 188%, from RMB16.9 million for 2010 primarily due to the increase in profit contribution from Jiangxi Yadong and Wuhan Yaxin.

Profit for the Year

For 2011, the net profit of the Group amounted to RMB1,389.4 million, representing an increase of RMB861.7 million or 163% over that of RMB527.7 million for 2010.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial and liquidity position for year ended 31 December 2011. Total assets increased by 11% to approximately RMB16,122.4 million (31 December 2010: approximately RMB14,500.0 million) while total equity grew by 16% to approximately RMB8,723.6 million (31 December 2010: approximately RMB7,489.8 million).

Restricted/Pledged Bank Deposits, Bank Balances and Cash

As at 31 December 2011, the Group's restricted/pledged bank deposits, bank balances and cash amounted to approximately RMB1,768.3 million (31 December 2010: RMB705.9 million) of which 95% was denominated in RMB and 4% in United States dollars, with the remainder denominated in Hong Kong dollars, Singapore dollars and Euros.

Cash Flow

The Group derives its net cash inflow from operations primarily through the receipt of payments for the sale of its cement and concrete products. The Group's cash outflow from operations is used primarily for raw material purchases, payment for fuel and power, distribution costs, staff salaries and interest payments. Cash generated from operating activities increased from RMB454.2 million in 2010 to RMB1,287.2 million in 2011. This was mainly due to the expansion of business.

The Group's cash inflow from investment activities primarily consists of interest income and proceeds from disposal of a jointly controlled entity and property, plant and equipment. The Group's cash outflow from investment activities primarily consists of purchases of property, plant and equipment, land use rights and quarry. In 2011, the net cash used in investment activities of the Group amounted to RMB433.8 million, representing an decrease of 76% from RMB1,776.3 million for 2010. The decrease in cash flow by RMB1,342.5 million used in investment activities was primarily attributable to less cash used for the purchase of property, plant and equipment to expand the production capacities of the Group.

In 2011, the net cash generated from financing activities of the Group amounted to RMB191.3 million, representing a decrease of RMB485.6 million from 2010. This was primarily due to fewer bank borrowings were made in 2011.

Capital Expenditure

Capital expenditure for the year ended 31 December 2011 amounted to approximately RMB285.0 million and capital commitments as at 31 December 2011 amounted to approximately RMB47.3 million. Both the capital expenditure and capital commitments were mainly related to the purchases of plant and equipment for the new production lines. The Group anticipates that funding for those commitments will come from future operating revenue, bank borrowings and other sources of finance when appropriate.

Borrowings

The Group's borrowings as at 31 December 2011 and 2010 are summarised below:

	As at 31 December			
	2011		2010	
	RMB'000	**%**	RMB'000	%
Short-term borrowings	**1,335,726**	**20**	1,244,228	21
Long-term borrowings	**5,216,061**	**80**	4,722,710	79
Currency denomination				
– Renminbi	**2,845,196**	**43**	2,926,245	49
– US dollars	**3,672,542**	**56**	3,003,593	50
– Hong Kong dollars	**34,049**	**1**	37,100	1
Borrowings				
– secured	**–**	**–**	–	–
– unsecured	**6,551,787**	**100**	5,966,938	100
Interest rate structure				
– fixed-rate borrowings	**640,388**	**10**	112,000	2
– variable-rate borrowings	**5,911,399**	**90**	5,854,938	98
Interest rate				
– fixed-rate borrowings	**2.95%-5.90%**		4.37%–6.62%	
– variable-rate borrowings	**90% to 100% of the Benchmark Interest Rate of the PRC or LIBOR plus margin of 0.5%–3.5%**		90% to 100% of the Benchmark Interest Rate of the PRC or LIBOR plus margin of 0.5%–1%	

As at 31 December 2011, the Group had unutilised credit facilities in the amount of RMB2,962.5 million.

As at 31 December 2011, the Group's gearing ratio was approximately 46% (31 December 2010: 48%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2011 and 2010 respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as of 31 December 2011.

Contingent Liabilities

As of the date of this report and as at 31 December 2011, the Board is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2011, the Group had 4,073 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds scheme 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 2011, about 11,578,000 share options were granted under the Pre-IPO Share Option Scheme and no share options have been exercised to date. Also, as at 31 December 2011, 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

The Group did not make any significant investment, material acquisitions or disposals during 2011.

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.

RMB is not a freely convertible currency. Future exchange rates of 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 RMB. The appreciation or devaluation of 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.

2. BUSINESS PROSPECTS

According to the 2012 economic policies issued by the government, the major task and keynote of economic and social development in 2012 are to facilitate a stable and relatively fast economic development, with emphasis on making progress while maintaining stability. Moreover, sustaining the scale of investment has been set as a priority. It is expected that China will maintain a fast GDP growth rate of over 7.5% in 2012, and the government will continue to implement a positive fiscal policy and a prudent monetary policy to suppress inflation, increase domestic demand, speed up the pace of urbanisation progress as well as intensify development of rural areas. All of the above will stimulate demand for cement. In 2012, cement output is estimated to reach 2,230,000,000 tonnes, representing an increase of 154,000,000 tonnes or approximately 7% from 2,076,000,000 tonnes in 2011.

However, we should also note that the growth in the State's fixed assets investment is slowing down and there is no sign of relaxed regulation on the property industry. Moreover, the impact of tight capital flow on investments in infrastructure projects such as high speed rail continues to increase. All these will inhibit the growth of the cement market and pose challenges to the cement industry. The growth of cement demand in 2012 is forecasted to slow down. Industry experts predict an increase of 6% or approximately 120,000,000 tonnes in cement demand, i.e. an increase of 40,000,000 tonnes in the first half of the year and increase of 80,000,000 tonnes in the second half of the year.

To conclude the above analysis, the extent of the excessive growth of the production capacity is too large to be absorbed by the market. The severe imbalance between supply and demand still exists. The key for the cement industry to maintain a better level of efficiency in 2012 lies in the restoration of a relatively balanced supply-demand relationship. As a result, the mechanism for collective negotiation among industry players will be the key factor affecting the price movements in 2012. On one hand, the Group needs to enhance its overall operation efficiency and reduce costs through various measures; on the other hand, the Group should strengthen communication with its industry peers, respond to China Cement Association's call for energy-saving and emission-reduction and work together to protect the market's interest, so as to assure the Group's stable profitability.

In November 2011, the Ministry of Industry and Information Technology issued the "Twelfth Five-Year" Development Plan for Cement Industry (《水泥工業「十二五」發展規劃》) stating the basic principles, guiding concepts and major goals for the cement industry in the next five years. According to the plan, the cement industry should, during the "Twelfth Five Year Plan" period, speed up the pace of structural change, promote energy-saving and emission-reduction, encourage merger and acquisition and reorganisation, eliminate obsolete capacities and advance in technology, in order to enhance quality and efficiency as well as to facilitate structural change and improvement in the cement industry. As such, the "Twelfth Five Year Plan" remains a prime time for the development of the cement industry.

Against the backdrop of accelerated economic transformation and industry restructuring, the Group will steadily implement its development plan to grow bigger and stronger. The Group currently focuses its development on further production capacity and market expansion. It strives to achieve the target annual production capacity of 50,000,000 tonnes as early as possible. In addition to speed up the construction of production lines with daily production capacity of 6,000 tonnes of clinker which is expected to be completed and put into operation in 2013, the Group is actively pursuing the opportunity for building an environmental-friendly and energy-saving integrated cement plant which can also treat waste in the northern China region; and in each of Hubei Yadong and Huanggang Yadong a new environmental-friendly dry process rotary kiln that can treat urban waste (e.g. urban sludge). While the Group will expand its production capacity through construction of new production lines, it will, in line with PRC government's encouragement of merger and acquisition in the industry, engage in negotiation for targets for acquisition or for strategic alliance through various approaches. Furthermore, the Group will continue to further develop the ready-mixed concrete market. It will capitalise on the opportunities arising from the commercial concrete market to actively expand business to and control in the downstream market. These strategies will help expand the Group's business portfolio, thereby making significant contribution to its sustainable development and profitability.

The cement industry is about to transform from a market with high demand and high supply to a highly concentrated market with low demand. Its focus will shift from cost competitiveness to market control. In order to maintain its presence in the increasingly competitive market, the Group will continue to opt for quality and highly efficient advanced equipment to be installed in its own cement plants in order to maintain high utilisation rate and production rate. Meanwhile, more high quality domestic-produced machines will be used to reduce construction costs and enhance competitiveness. In addition, the Group will also fully utilise slag, fly-ash and desulphurization gypsum and other usable by-products and disposals from steel mills and power plants to strictly control production cost as well as to promote circular economy, energy-saving and emission-reduction. In anticipation of a fierce market competition, the Group will continue to improve on client retention and increase sales distribution channels. It will expand its market to the surrounding regions through transportation by trucks and ships. It plans to seek a suitable location along the Yangtze River to set up a transfer station or a grinding plant to expand its market coverage, so as to secure its market share and to attain the goal of selling all the products it produced.

In 2012, the growth of the cement market will slow down and the industry will enter into a short period of adjustment. However, under the guidance of various government policies, the cement industry will move onto a healthier and more stable development path. As always, the Group will accurately capture market trends and leverage its competitive advantages including technological advantages, sophisticated equipment and advanced management to achieve sustainable development.

Corporate Governance Report

The Board is committed to maintaining high standard of corporate governance practices to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. These can be achieved by an effective Board, segregation of duties with clear accountability, sound internal control, appropriate risk assessment procedures and transparency to all the shareholders.

The Company has complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices (the "CG Code") as set forth in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange throughout the year ended 31 December 2011.

MODEL CODE FOR SECURITIES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. Based on specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year under review.

BOARD OF DIRECTORS

The Board is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions.

The Board has a balanced composition of executive and non-executive Directors to ensure independent viewpoints in all discussions. The Board currently comprises ten Directors, including five executive Directors, one non-executive Directors and four independent non-executive Directors. Board members are listed below:

Chairman and non-executive Director

Mr. HSU, Shu-tong

Executive Directors

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

Independent non-executive Directors

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

Biographical information of the Directors is set forth on pages 24 to 26 of this annual report.

Each of the executive Directors entered into a service contract with the Company for a term of three years commencing on 27 April 2011, which may be terminated in accordance with the provisions of the service contract after the first year of service of the Director by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to each of the non-executive Directors for a term of three years commencing on 27 April 2011, which may be terminated in accordance with the provisions thereof after the first year of service of the Director by either party giving to the other not less than one month's prior notice in writing.

The Company has issued an appointment letter to each of the independent non-executive Directors for a term of three years commencing on 27 April 2011, which may be terminated in accordance with the provisions thereof by either party giving to the other not less than two months' prior notice in writing.

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should not be performed by the same individual. To ensure a balance of power and authority, the Company has appointed Mr. HSU, Shu-tong as Chairman and Dr. Wu, Chung-lih as Chief Executive Officer.

BOARD MEETINGS

The Board meets regularly in person or by means of electronic communication. The Board is planning to meet at least four times a year and five meetings were held in 2011. Regular board meetings are usually scheduled at the beginning of the year to give all directors adequate time to plan their schedules to attend. Directors receive at least 14 days' prior written notice of regular board meetings and an agenda. The Board resolutions, including supporting analysis and relevant background information, are normally sent to all Directors at least three days before the Board meeting. For other Board meetings, Directors are given as much notice as possible in the circumstances.

The company secretary of the Company is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests due to a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

NON-EXECUTIVE DIRECTORS AND RE-ELECTION

According to Article 86 of the Company's Articles of Association (the "Articles"), all directors appointed to fill a causal vacancy should be subject to re-election by shareholders at the first general meeting after their appointment. According to Article 87 of the Articles, one-third of the directors shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years.

The table below sets out the details of Board meeting attendance of each Director in 2011.

Director	Number of Board meetings attended
Mr. HSU, Shu-tong	5/5
Mr. CHANG, Tsai-hsiung	5/5
Dr. WU, Chung-lih	5/5
Madam CHIANG SHAO, Ruey-huey	5/5
Mr. CHANG, Chuen-kuen	5/5
Mr. LIN, Seng-chang	5/5
Mr. LIU, Zhen-tao	5/5
Mr. LEI, Qian-zhi	4/5
Mr. TSIM, Tak-lung Dominic	5/5
Dr. WONG, Ying-ho Kennedy	5/5

AUDIT COMMITTEE

The primary responsibilities of the Audit Committee are,

— making recommendations to the Board on the appointment, reappointment and removal of the external auditors, as well as approving the remuneration and terms of engagement of the external auditors;

— reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

— monitoring the integrity of the financial statements of the Company and the Company's annual report and accounts, interim report and quarterly reports, and reviewing significant financial reporting judgments contained in such reports; and

— overseeing the Company's financial reporting system and internal control procedures, including but not limited to, review of financial control, internal control and risk management systems, consideration of actions to be taken in respect of any findings of major investigations of internal control matters as delegated by the Board or at its own initiative and management's response thereto, and review of the Group's financial and accounting policies and practices.

The Audit Committee comprises Mr. HSU, Shu-tong who is a non-executive Director and Mr. TSIM, Tak-lung Dominic and Dr. WONG, Ying-ho Kennedy who are independent non-executive Directors. The Audit Committee is chaired by Mr. TSIM, Tak-lung Dominic.

Two meetings were held in 2011 and all members attended the meetings.

A set of written terms of reference, which described the authority and duties of the Audit Committee, was amended and adopted by the Board on 16 March 2012 and the contents of which are in compliance with the CG Code. The said terms of reference of the Audit Committee adopted by the Board are available on The Hong Kong Stock Exchange website at www.hkexnews.hk and on the Company's website at www.achc.com.cn.

REMUNERATION COMMITTEE

The primary responsibilities of the Remuneration Committee are,

— making recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management, and on the establishment of a formal and transparent process for developing the remuneration policy;

— determining the specific remuneration packages of all executive Directors and senior management, as well as making recommendations to the Board in relation to the remuneration of non-executive Directors;

— reviewing and approving performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time; and

— ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee comprises Mr. HSU, Shu-tong who is a non-executive Director and Mr. TSIM, Tak-lung Dominic and Dr. WONG, Ying-ho Kennedy who are Independent non-executive Directors. The Remuneration Committee was chaired by Mr. HSU, Shu-tong in 2011 and until 15 March 2012. To comply with the amendments to the CG Code which will be effective from 1 April 2012, Mr. HSU, Shu-tong has resigned as the chairman of the Remuneration Committee but remains as a member, and Dr. WONG, Ying-ho Kennedy has been appointed as the chairman with effect from 16 March 2012.

One meeting was held in 2011 and all members attended the meeting.

A set of written terms of reference, which described the authority and duties of the Remuneration Committee, was amended and adopted by the Board on 16 March 2012 and the contents of which are in compliance with the CG Code. The said terms of reference of the Remuneration Committee adopted by the Board are available on The Hong Kong Stock Exchange website at www.hkexnews.hk and on the Company's website at www.achc.com.cn.

REMUNERATION OF DIRECTORS

The Company has adopted full disclosure of remunerations of Directors with disclosure by name, amount and type in note 14 to the financial statements.

INDEPENDENCE COMMITTEE

The primary responsibilities of the Independence Committee are,

— reviewing all transactions between the Group, Asia Cement Group and Far Eastern Group to ensure that they are conducted on normal commercial terms and in the ordinary and usual course of business of the Group, and to recommend to the Board the corrective measures in such transactions if needed or not to proceed with such transactions;

- — establishing, where applicable, guidelines for management to follow in its ongoing transactions between the Group, Asia Cement Group and Far Eastern Group;
- — reviewing and assessing ongoing relationships between the Group, Asia Cement Group and Far Eastern Group to ensure compliance with the Committee's guidelines established as aforesaid and to ensure the continuation of such relationship remains fair to the Group; and
- — analyzing and assessing any potential conflict of interests between the Group, Asia Cement Group and Far Eastern Group.

The Independence Committee comprises Mr. TSIM, Tak-lung Dominic, Dr. WONG, Ying-ho Kennedy and Mr. LIU, Zhen-tao who are Independent non-executive Directors.

Save as disclosed in the section headed "Relationship with Asia Cement" and "Connected Transactions" in the Prospectus, no additional ongoing relationships or potential conflict was identified during the year.

NOMINATION COMMITTEE

The Nomination Committee was established by the Board on 16 March 2012. The Nomination Committee comprises Mr. HSU, Shu-tong who is a non-executive Director and Mr. TSIM, Tak-lung Dominic and Dr. WONG, Ying-ho Kennedy who are independent non-executive Directors. The Nomination Committee is chaired by Mr. HSU, Shu-tong. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of independent non-executive Directors.

A set of written terms of reference, which described the authority and duties of the Nomination Committee, was adopted by the Board on 16 March 2012 and the contents of which are in compliance with the CG Code. The said terms of reference of the Nomination Committee adopted by the Board are available on The Hong Kong Stock Exchange website at www.hkexnews.hk and on the Company's website at www.achc.com.cn.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group and in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2011, the Directors have selected appropriate accounting policies and applied them consistently; made judgement and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner.

The statement by the external auditor of the Company regarding their reporting responsibilities of the financial statements of the Group is set forth in the Independent Auditor's Report on page 40 to 41 of this annual report.

EXTERNAL AUDITORS

The Group appointed Messrs. Deloitte Touche Tohamatsu as the Group's principal external auditors. The acknowledgement of their responsibilities on the financial statements is set forth in the Independent Auditor's Report on page 40 to 41 of this annual report.

The remuneration paid to Messrs. Deloitte Touche Tohamatsu for services rendered in respect of the year ended 31 December 2011 is as follows:

	2011 RMB'000
Audit services	4,830
Non-audit services	1,500
Total	6,330

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The Board, together with the Group's internal audit department and management conduct reviews of the effectiveness of the Company's system of internal control, including those of its subsidiaries. The Audit Committee reviews the findings and opinion of the Group's internal audit department and management on the effectiveness of the Company's system of internal control, and reports to the Board on such reviews. In respect of the year ended 31 December 2011, the Board considered the internal control system effective and adequate. No significant areas of concern which might affect shareholders were identified.

The internal audit division of the Group should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets. The main functions of the internal audit division are to audit the operating efficiencies of each of the operating units, to carry out audit upon resignation of any key management personnel, to assist Board in reviewing the effectiveness of the internal control system of the Group and to review internal controls of business processes and project based auditing. Evaluation of the Group's internal controls covering financial, operational compliance controls and risk management functions had been done on an ad hoc basis.

INVESTOR RELATIONS

The Group believes that investor relations are important to a listed company to enhance its transparency and corporate governance. During the year, the executive Directors and senior management of the Group have maintained sound communications with the investment community by actively participating in various investor-related activities and meetings. On these occasions, the Group's investor relations representatives introduced the Group's strengths and growth strategies in order to gain support and recognition from the market and investors. Investors are welcome to share their views with the Board by writing to the Company at its Hong Kong headquarters or sending enquiries to the Company's website at www.achc.com.cn. Investors and shareholders can also review the Company's recent announcements at the Company's website at www.achc.com.cn.

Directors and Senior Management

DIRECTORS

The Company has five executive Directors, one non-executive Director and four independent non-executive Directors. Their details are set out below:

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. HSU, Shu-tong (徐旭東), aged 70, is the chairman of the Group. Mr. HSU's principal responsibilities involve formulating the overall business strategy of the Group in China. Mr. HSU is also the chairman and CEO of Far Eastern Group, one of the largest and most diversified conglomerates based in Taiwan. It is comprised of 229 companies extending into China with operations in countries including Canada, Hong Kong, Singapore, Malaysia, and Thailand. FEG has a workforce of 53,000 in 2010 and has total assets of US$57.9 billion and annual revenues of US$18.1 billion. The Group has nine public companies, which are leaders in their respective fields including Petrochemicals & Energy; Textile & Polyester Fiber; Cement/Building Material; Sea/Land Transportation; Financial Services; Construction; Telecommunication; Retail/Department Stores and Hotels. Family Foundations encourage social responsibilities and include the establishment of Taiwan's leading technical institute, private university, and hospital.

Outside Far Eastern Group, Mr. HSU's professional and other affiliations in prominent organizations include: Director of MasterCard Asia/Pacific Regional Advisory Board, Prudential/Asia Pacific Fund, Asia Society in NY, Chung-Hua Institution for Economic Research, the Straits Exchange Foundation, Chiang Ching-kuo Foundation for International Scholarly Exchange; Member of Asia Business Council, Trustee Member of University of Notre Dame, Asian Cultural Council; Board Member of National Cultural & Arts Foundation, Chairman of Sino-American Asian Cultural Foundation, former President of International Textile Manufacturers Federation (ITMF), former Co-Chair of Nature Conservancy Asia Pacific Council, and Consultant to Chinese Taipei Olympic Committee. He is also Consul General of the Honorary Consulate of the Ivory Coast in Taipei, ROC.

Mr. HSU graduated from the University of Notre Dame, IN (BA, MA) with post-graduate studies in economics at Columbia University, NY in the US. Since 2002 he holds an honorary doctorate of management from National Chiao Tung University in Taiwan.

EXECUTIVE DIRECTORS

Mr. CHANG, Tsai-hsiung (張才雄), aged 88, is an executive Director and the vice chairman of the Group. Mr. CHANG's primary responsibilities include formulating and implementing the overall business strategies as well as planning and overseeing the entire operation of the Group in the PRC. Mr. CHANG is also an executive director of Asia Cement Corporation, a company listed in Taiwan. Mr. Chang joined Asia Cement Group in 1963 and joined the Group in October 1997. Mr. CHANG has more than 40 years of experience in the cement industry in both Taiwan and the PRC.

Dr. WU, Chung-lih (吳中立), aged 62, is an executive Director, the chief executive officer, the chief administrative officer and the compliance officer of the Group. Ever since Dr. Wu has been promoted to the position of CEO on September 1, 2011, he becomes responsible for all the top management work, including the previous duty of general administrative affairs. Dr. WU is also an independent non-executive director of Arima Optoelectronic Corporation which is a company listed in Taiwan. Dr. WU has extensive work experience in Taiwan and the United States. He was a senior official of the Taiwan central government for the period from 1989 to 2000, and had been a teaching and research fellow in various universities in Taiwan and the United States for 15 years, specializing in the areas of health economics, econometrics, public finance, economics of education and analysis of economic policy. Dr. WU joined the Eastern Multimedia Group in May 2000 and served as the chief executive officer and the president of Eastern Multimedia Company from June 2001 to February 2005. Dr. WU joined the Group in August 2005 and he holds a PhD degree in economics from the State University of New York at Albany.

Madam CHIANG SHAO, Ruey-huey (邵瑞蕙), aged 64, is an executive Director and the chief financial officer of the Group. Madam SHAO has more than 40 years experience of financial management, planning and information system management in the cement industry. Madam SHAO is also a director of China Hi-Ment Corporation and Far Eastern Department Stores Ltd and a supervisor of U-Ming Marine Transport Corporation, all of which are listed in Taiwan. Madam SHAO joined Asia Cement Group in 1970 and joined the Group in October 1997. Madam SHAO graduated from the Soochow University in Taiwan in 1970 with a bachelor degree in accountancy.

Mr. CHANG, Chen-kuen (張振崑), aged 64, is an executive Director, the deputy chief executive officer and the chief technical officer of the Group. Mr. CHANG is responsible for the production technology and research and development activities of the Group. Mr. CHANG has more than 40 years of experience of engineering and management in the cement industry. Mr. CHANG is also a director of Asia Cement Corporation, a company listed in Taiwan. Mr. CHANG joined Asia Cement Group in 1968 and joined the Group in December 1997. Mr. CHANG graduated from Taipei Technical Institute majoring in mechanical engineering.

Mr. LIN, Seng-chang (林昇章), aged 68 is an executive Director, the deputy chief executive officer and the chief marketing officer of the Group. Mr. LIN is primarily responsible for formulating and implementing the sales and marketing strategies of the Group as well as overseeing its sales and marketing activities. Mr. LIN has more than 40 years of experience of sales and management in the cement industry. Mr. LIN joined Asia Cement Group in 1962 and joined the Group in October 1999. Mr. LIN graduated from National Taipei College of Business in October 1962.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU, Zhen-tao (劉震濤), aged 74, has served as an independent non-executive Director of the Company since April 2008. Mr. LIU is a director of the Institute of Taiwan Studies of the Tsinghua University in the PRC, a council member of Taiwan Affairs Office of the State Council of the PRC, and the vice-president of the China Industrial Overseas Development & Planning Association. Mr. LIU has over 25 years experience of teaching and research while serving as the deputy director of the Automatisation Department and the Technology Development of the Tsinghua University from September 1960 to June 1986. He then served as the deputy secretary of the Foreign Loans Bureau and the Department of Foreign Capital Utilization of the former State Planning Commission, currently known as the NDRC, from June 1986 to April 1989, and as the secretary of the Economy Bureau of the State Council's Taiwan Affairs Office and the head of the Taiwan Affair Office of the State Planning Commission from April 1989 to April 1998. From October 1998 to October 2003, Mr. LIU was the vice president of the Association for Relations across the Taiwan Strait. Mr. LIU graduated from the power mechanical engineering department of the Tsinghua University, China in July 1960.

Mr. LEI, Qian-zhi (雷前治), aged 70, has served as an independent non-executive Director of the Company since April 2008. Mr. LEI is a professor engineer. He is the president of the China Cement Association Council and the vice-president of the China Building Material Industry Association Council. Mr. LEI has over 16 years experience of engineering and cement enterprise management. He served as a technician, an engineer, a workshop head and a factory director of Guizhou Shuicheng Cement Plant from January 1970 to April 1986. He also has over 22 years experience of administrative management of local and national governments relating to the building materials industry. Mr. LEI was the president of Guizhou Province Building Materials Bureau from March 1986 to January 1991, and he served as a deputy department manager of the National Building Materials Industry Bureau from January 1991 to February 2001. Mr. LEI was the vice president of China Building Material Industry Association from February 2001 to June 2004. Mr. LEI obtained a bachelor degree in Portland Cement from Nanjing Chemistry Institution in 1968.

Mr. TSIM, Tak-lung Dominic (詹德隆), JP, aged 65, has served as an independent non-executive Director of the Company since April 2008. Mr. TSIM is a director of **Playmates Holdings Limited and of the Greater China Fund, Inc. Mr. TSIM runs his own consultancy business which provides macro-level economic and political analysis to clients. Mr. TSIM served two terms on the Central Policy Unit of the Hong Kong Government in the 1990's. Mr. TSIM graduated from the University of Hong Kong in 1968 with a Bachelor of Arts degree in English.

Dr. WONG, Ying-ho Kennedy (黃英豪), BBS, DCL, JP, aged 49, has served as an independent non-executive Director of the Company since April 2008. Dr. WONG is a solicitor of the High Court of Hong Kong, China Appointed Attesting Officer and a director of the China Law Society. Dr. WONG is the Managing Partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. Dr. WONG is a National Committee Member of the Chinese People's Political Consultative Conference. Dr. WONG is the chairman of **Hong Kong Resources Holdings Company Limited, and also a director of Bohai Industrial Investment Fund Management Company Limited, **China Overseas Land & Investment Limited, **Goldlion Holdings Limited, **Shanghai Industrial Urban Development Group Limited, and Hong Kong Airlines Limited. Dr. Wong was the executive deputy chairman of **Raymond Industrial Ltd. and also a director of **Capinfo Company Limited, **Coastal Realty Group Limited, **Computime Group Limited, **Great Wall Cybertech Limited, **Great Wall Technology Company Limited, **Qin Jia Yuan Media Services Company Limited, **International Financial Network Holdings Ltd. and **i-Steel Asia Holdings Limited. Dr. WONG is also a member of the Election Committee of Hong Kong responsible for electing Hong Kong's Chief Executive. Dr. WONG has served on Hong Kong's legislature from 1996 to 1998 and was selected as one of the Ten Outstanding Young Persons of Hong Kong in 1998 and then one of the Ten Outstanding Young Persons of the World in 2003. Dr. WONG received an Honorary Degree of Doctor of Civil Laws from the University of Kent in July 2007.

SENIOR MANAGEMENT

Mr. FANG, Lu-hsing (方履興), aged 59, is the deputy chief administrative officer of the Group. Mr. FANG is primarily responsible for assisting the chief administrative officer to oversee the general administrative affairs of the Group. Mr. FANG has over 30 years of experience of management in the cement industry. Mr. FANG graduated from the National Chung Hsing University in Taiwan majoring in accounting. Mr. FANG joined Asia Cement in May 1978 and joined the Group in December 1997.

Mr. WONG, Liang-shih (王亮石), aged 60, is the associate of the administration department and the manager of the united procurement department of the Group. Mr. WONG is primarily responsible for managing the procurement of the Group. Mr. WONG has over 30 years of experience of procurement management in the cement industry. Mr. WONG graduated from the Tamkang University in Taiwan majoring in English. Mr. WONG joined Asia Cement in August 1981 and joined the Group in December 1997.

Mr. WU, Chien-hua (吳建華), aged 56, is the associate of the treasury department and the manager of the accounting and finance department of the Group. Mr. WU is primarily responsible for the accounting duties of the Group. Mr. WU has over 30 years of experience of accounting in the cement industry. Mr. WU graduated from the Soochow University in Taiwan majoring in accounting. Mr. WU joined Asia Cement in July 1981 and joined the Group in March 2005.

Mr. LIN, Chiang-hua (林江海), aged 52, is the manager of information technology department of the Group. Mr. LIN is primarily responsible for managing the maintenance and upgrade work of the information technology system of the Group. Mr. LIN has approximately 30 years of experience of information technology in the cement industry. Mr. LIN graduated from the Oriental Institute of Technology in Taiwan majoring in electronics. Mr. LIN joined Asia Cement in December 1984 and joined the Group in December 2004.

Mr. LEE, Shaw-shan (李紹先), aged 56, is the manager of the quality control and research and development department of the Group. Mr. LEE is primarily responsible for the production quality control and technology and research and development of the Group. Mr. LEE has over 30 years of experience of engineering in the cement industry. Mr. LEE graduated from the Tamkang University in Taiwan with a bachelor degree in chemistry engineering in 1977 and from the Pennsylvania State University with a master degree in science in 1986. Mr. LEE joined Asia Cement in February 1981 and joined the Group in May 1998.

Mr. KAO, Ming-yu (高銘佑), aged 62, is the manager of mining operation department of the Group. Mr. KAO is primarily responsible for managing the operation of mines of the Group. Mr. KAO has over 30 years experience of mining in the cement industry. Mr. KAO graduated from the National Cheng Kung University in Taiwan with a bachelor's degree in mining. Mr. KAO joined Asia Cement in August 1974 and joined the Group in December 1997.

Mr. LO, Wai-kit (盧偉傑), ACCA, FCPA, CFA, aged 38, is the company secretary and one of the authorized representatives of the Company. He has over 15 years of experience in the field of accounting and auditing. Prior to joining the Company in December 2007, he served as the vice president of finance and accounting of **CIG Yangtze Ports PLC, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. LO is an associate member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst and hold a degree of Bachelor of Arts (Honours) in Accountancy from the City University of Hong Kong.

** *companies listed on The Stock Exchange of Hong Kong Limited*

Directors' Report

The Directors are pleased to present their Annual Report, including the audited consolidated financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal business activities are manufacture and sales of cement, concrete and related products. The activities of the principal subsidiaries are set out on pages 106 to 108 of this Annual Report. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 42.

The Directors recommended the payment of a final dividend of RMB17 cents per ordinary share, totaling RMB264,562,500 in respect of the year to shareholders on the register of members on 31 May. The proposed final dividend for the year ended 31 December 2011 has been approved at the Company's Board meeting on 16 March 2012. Details of the dividends for the year ended 31 December 2011 are set forth in note 15 to the financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 18 May 2012 to Friday, 25 May 2012, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Friday, 25 May 2012 ("AGM"), all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 17 May 2012.

Subject to the approval of shareholders at the AGM, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Thursday, 31 May 2012 being the record date for determination of entitlement to the final dividend. The register of members of the Company will be closed on Thursday, 31 May 2012, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 30 May 2012.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set forth in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB3,514.3 million. The amount of approximately RMB3,514.3 million includes the Company's share premium account of approximately RMB3,369.9 million and accumulated profits of approximately RMB144.4 million in aggregate as at 31 December 2011, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB0.6 million.

PROPERTY, PLANT AND EQUIPMENT

Details of movement of property, plant and equipment of the Group, during the year in the fixed assets are set out in note 17 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year are set forth in notes 35 and 38 to the financial statements, respectively and in the section headed "Share Option Schemes" in the Directors' Report.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

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

MAJOR CUSTOMERS AND SUPPLIERS

Details of the Group's transactions with its major suppliers and customers during the year are set out below:

— Aggregate purchase attributable to the Group's five largest suppliers were less than 30% of the total purchase of the Group in both the years of 2010 and 2011.
— Aggregate sales attributable to the Group's five largest customers were less than 30% of the total turnover of the Group in both the years of 2010 and 2011.
— At no time during the year did any Director or any shareholder of the Company have an interest in any of the Group's five largest suppliers or customers.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Chairman and non-executive Director

Mr. HSU, Shu-tong

Executive Directors

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

Independent non-executive Directors

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

In accordance with the provisions of the Company's Articles of Association, one-third of the Directors for the time being shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual meeting of the Company. A circular containing the explanatory statement on repurchase by the Company of its shares, the biographical details of the director candidates eligible for re-election and the notice of annual general meeting will be sent to shareholders of the Company.

None of the Directors has any financial, business, family or other material/relevant relationships with one another.

DIRECTORS' AND SENIOR MANAGEMENTS' BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set forth on pages 24 to 27 of the Annual Report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS OF THE COMPANY

Details of the emoluments of the directors and the five highest paid individuals of the Company in 2011 are set in note 14 to the financial statements.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

No significant contract, to which the Company, its holding company, its controlling shareholder, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service contract with the Company for a term of three years commencing on 27 April 2011, which may be terminated in accordance with the provisions of the service contract after the first year of service of the Director by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to each of the non-executive Directors for a term of three years commencing on 27 April 2011, which may be terminated in accordance with the provisions thereof after the first year of service of the Director by either party giving to the other not less than one month's prior notice in writing.

The Company has issued an appointment letter to each of the independent non-executive Directors for a term of three years commencing on 27 April 2011, which may be terminated in accordance with the provisions thereof by either party giving to the other not less than two months' prior notice in writing.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the Independent non-executive Directors has given an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent non-executive Directors meet the independence guideline set forth in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and the "Share Option Schemes" below, at no time during the year was the Company, or any of its holding company or subsidiaries, a party to any arrangements to enable the Directors or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2011, 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, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying shares of the Company

	Number of ordinary shares			% of the Company's issued shares
Name of Director	Personal interests	Equity derivatives (Note 1)	Total interests	
Mr. Chang, Tsai-hsiung	120,000	1,500,000	1,620,000	0.10%
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	–	400,000	400,000	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.*

Long positions in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Type of interest: Personal	Through spouse	Corporate	Total no. of shares in the associated corporation	% of shareholding in the associated corporation
Mr. Chang, Tsai-hsiung	Asia Cement Corporation ("Asia Cement")	428,655	56,810	–	485,465	0.01%
	Oriental Industrial Holdings Pte., Ltd ("Oriental Industrial")	2,000	–	–	2,000	0.0004%
Madam Chiang Shao, Ruey-huey	Asia Cement	71,493	2,281	–	73,774	0.002%
	Oriental Industrial	1,000	–	–	1,000	0.0002%
Mr. Hsu, Shu-tong	Asia Cement	21,722,728	7,581,413	–	29,304,141	0.93%
	Asia Cement (Singapore) Private Limited ("Asia Cement Singapore")	2	–	–	2	0.00002%
	Oriental Industrial	4,000	–	–	4,000	0.0007%
Mr. Chang, Chen-kuen	Asia Cement	11,085	4,632	–	15,717	0.005%
Mr. Lin, Seng-chang	Asia Cement	6,908	445	–	7,353	0.0002%

Save as disclosed above, as at 31 December 2011, 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 December 2011 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 percentage of holding
Asia Cement *(Note 1)*	Beneficial owner and interest by attribution	1,136,074,000	73.00%

Note:

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 31 December 2011, 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 31 December 2011, 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%

(iii) An eligible person who is neither the employee nor the director of the Group may exercise the share options after 6 months from the date on which the share options are granted to him.

Details of the share options outstanding as at 31 December 2011 which have been granted under the Pre-IPO Share Option Scheme are as follows:

Name	Date of Grant	Options outstanding at 1 January 2011	Granted during the period	Options exercised during the period	Option lapsed on expiry	Options cancelled upon termination of employment	Option outstanding at 31 December 2011
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.

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 31 December 2011, or as at the date of this Annual Report.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the human resources department of the Group on the basis of their merits, qualifications and competence.

The emolument policy of the directors of the Company is decided by the Remuneration Committee, having regard to the Company's operating results, individual duties and performance and comparable market statistics.

The Group operates a Mandatory Provident Fund ("MPF") Scheme under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2011.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

NON-COMPETITION UNDERTAKING

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 during the year. Besides, the independent non-executive Directors have conducted an annual review on the compliance of Non-Competition Agreement (as defined in the Prospectus) that entered by Asia Cement and Far Eastern Textile. No violation of the undertakings as stipulated in the Non-Competition Agreement was found.

LONG TERM RECEIVABLES

Details of long term receivables from the Ruichang City Government and the Wuhan City Government are set out in note 34 to the financial statements.

Receivable from the Ruichang City Government

During 2011, approximately RMB2.5 million had been repaid by the Ruichang City Government. Of such repayment, approximately RMB1.9 million was made by offsetting land use tax payments of Jiangxi Yadong to the Ruichang City Government and approximately RMB0.6 million was made by offsetting the dividends paid to Jiangxi City Construction Materials Group Company (being the minority shareholder of Jiangxi Yadong and an investment vehicle of Ruichang City Government).

The Directors are of the view that since Jiangxi Yadong is expected to continue operation and remain profitable, it will have positive tax obligation and will make dividend payments to its shareholders. As such, the Directors expect that, through (i) offsetting of certain future land use tax payments; and (ii) offsetting of the future dividends to the minority shareholder of Jiangxi Yadong, the Directors consider that these advances will be fully recoverable by 2017.

Receivable from the Wuhan City Government

During 2011, approximately RMB7 million had been repaid by Wuhan City Government. Of such repayment, approximately RMB4 million was made by first two annual installments for 2010 and 2011and approximately RMB3 million was made by offsetting certain taxes payable to the local tax authority by Hubei Yadong.

The Directors are of the view that since Hubei Yadong is expected to continue operation and remain profitable, it will have positive tax obligation. As such, the Directors expect that, through (i) the continue repayments made by Wuhan City government and (ii) offsetting 50% of certain taxes, the Directors consider that these advances will be fully recoverable by 2015.

The independent non-executive Directors concluded that no claim under the indemnity provided by Asia Cement is necessary for 2011.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public, as at the date of this report.

AUDITORS

Messrs. Deloitte Touche Tohmatsu will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors
HSU Shu-tong
Chairman

16 March 2012

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF ASIA CEMENT (CHINA) HOLDINGS CORPORATION
亞洲水泥(中國)控股公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Asia Cement (China) Holdings Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 109, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
16 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	7	**8,206,833**	5,707,320
Cost of sales		**(5,920,435)**	(4,505,575)
Gross profit		**2,286,398**	1,201,745
Other income	9	**134,396**	54,329
Other gains and losses	10	**142,930**	54,371
Distribution and selling expenses		**(324,176)**	(269,928)
Administrative expenses		**(286,425)**	(218,713)
Share of profit (loss) of jointly controlled entities		**974**	(271)
Share of profit (loss) of an associate		**1,852**	(247)
Finance costs	11	**(213,808)**	(178,001)
Profit before tax		**1,742,141**	643,285
Income tax expense	12	**(352,746)**	(115,555)
Profit for the year	13	**1,389,395**	527,730
Other comprehensive expense:			
Fair value loss on a hedging instrument in cash flow hedge		**(7,772)**	–
Total comprehensive income for the year		**1,381,623**	527,730
Profit for the year attributable to:			
Owners of the Company		**1,340,836**	510,873
Non-controlling interests		**48,559**	16,857
		1,389,395	527,730
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,333,064**	510,873
Non-controlling interests		**48,559**	16,857
		1,381,623	527,730
		RMB	RMB
Earnings per share	16		
Basic		**0.86**	0.33
Diluted		**0.86**	0.33

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	9,557,197	10,021,327
Quarry	18	219,475	215,511
Prepaid lease payments	19	536,954	548,729
Goodwill	21	138,759	138,759
Other intangible assets	22	17,839	20,421
Interests in jointly controlled entities	23	25,344	45,755
Interest in an associate	24	13,605	11,753
Restricted bank deposits	30	19,217	–
Deferred tax assets	33	21,200	14,877
Long term receivables	34	59,383	79,007
		10,608,973	11,096,139
CURRENT ASSETS			
Inventories	25	741,106	679,669
Long term receivables – due within one year	34	14,942	15,083
Trade and other receivables	26	2,986,842	1,983,489
Prepaid lease payments	19	14,552	14,491
Amount due from an associate	27	6,892	980
Derivative asset	29	–	4,181
Restricted/pledged bank deposits	30	18,192	19,769
Bank balances and cash	30	1,730,867	686,099
		5,513,393	3,403,761
CURRENT LIABILITIES			
Trade and other payables	31	720,211	886,555
Amounts due to non-controlling interests	28	10,955	37,000
Amounts due to jointly controlled entities	27	3,899	5,940
Tax payables		68,030	57,437
Borrowings – due within one year	32	1,335,726	1,244,228
Derivative liabilities	29	–	4,783
		2,138,821	2,235,943
NET CURRENT ASSETS		3,374,572	1,167,818
TOTAL ASSETS LESS CURRENT LIABILITIES		13,983,545	12,263,957

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT LIABILITIES			
Other payables	31	**12,000**	15,000
Borrowings – due after one year	32	**5,216,061**	4,722,710
Derivative liabilities	29	**7,772**	13,937
Deferred tax liabilities	33	**24,079**	22,521
		5,259,912	4,774,168
NET ASSETS		**8,723,633**	7,489,789
CAPITAL AND RESERVES			
Share capital	35	**139,549**	139,549
Reserves		**8,333,486**	7,154,384
Equity attributable to owners of the Company		**8,473,035**	7,293,933
Non-controlling interests		**250,598**	195,856
TOTAL EQUITY		**8,723,633**	7,489,789

The consolidated financial statements on pages 42 to 109 were approved and authorised for issue by the Board of Directors on 16 March 2012 and are signed on its behalf by:

CHANG, TSAI-HSIUNG
DIRECTOR

CHIANG SHAO, RUEY-HUEY
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to equity holders of the Company										
	Share capital RMB'000	**Share premium** RMB'000	**Statutory reserves** RMB'000 *(note a)*	**Other reserves** RMB'000 *(note b)*	**Special reserve** RMB'000 *(note c)*	**Share option reserve** RMB'000	**Hedging reserve** RMB'000 *(note e)*	**Retained profits** RMB'000	**Sub-total** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 1 January 2010	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 year	–	–	–	–	–	–	–	510,873	510,873	16,857	527,730
Appropriation	–	–	150,368	–	–	–	–	(150,368)	–	–	–
Acquisition of subsidiary	–	–	–	–	–	–	–	–	–	47,783	47,783
Recognition of equity-settled share-based payments	–	–	–	–	–	4,527	–	–	4,527	–	4,527
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	–	–	(155,625)	(155,625)	–	(155,625)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(1,717)	(1,717)
At 31 December 2010	139,549	3,376,570	425,596	286,038	1,673,893	20,471	–	1,371,816	7,293,933	195,856	7,489,789
Profit for the year	–	–	–	–	–	–	–	1,340,836	1,340,836	48,559	1,389,395
Other comprehensive expense for the year	–	–	–	–	–	–	(7,772)	–	(7,772)	–	(7,772)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(7,772)	1,340,836	1,333,064	48,559	1,381,623
Appropriation	–	–	132,025	–	–	–	–	(132,025)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	1,663	–	–	1,663	–	1,663
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	–	–	(155,625)	(155,625)	–	(155,625)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(6,760)	(6,760)
Capital contribution from a non-controlling interest *(note d)*	–	–	–	–	–	–	–	–	–	12,943	12,943
At 31 December 2011	139,549	3,376,570	557,621	286,038	1,673,893	22,134	(7,772)	2,425,002	8,473,035	250,598	8,723,633

Notes:

a. In accordance with the relevant laws and regulations of the People's Republic of China (the "PRC"), the Group's PRC subsidiaries are required to provide for PRC statutory reserves, including enterprise expansion fund and general reserve fund, by way of appropriations from their respective statutory net profit (based on the subsidiary's PRC statutory financial statements) but before dividend distributions.

All appropriations to the funds are made at the discretion of the subsidiaries' board of directors. The board of directors shall decide on the amounts to be appropriated based on the profitability of each subsidiary each year.

The enterprise expansion fund may be used to increase registered capital subject to approval from the relevant PRC authorities. The general reserve fund may be used to offset accumulated losses or increase the registered capital of the subsidiary subject to approval from the relevant PRC authorities.

The above reserve funds are not available for dividend distributions to the shareholders of the subsidiaries.

b. Other reserves as at 31 December 2011 mainly comprise (i) capital contributions from Asia Cement Corporation ("Asia Cement"), immediate and ultimate holding company of the Company, and the non-controlling shareholders; (ii) the remuneration paid by Asia Cement to certain employees of Asia Cement and its subsidiaries for their service provided to the Group (the "Payments"). The Payments were not recharged to the Group and therefore the Payments were treated as capital contribution from Asia Cement; and (iii) a waiver of advances from Asia Cement in relation to the audit fees of the Group for the three years ended 31 December 2004, 2005 and 2006 paid by Asia Cement on behalf of the Group.

c. Special reserve as at 31 December 2011 represents mainly (i) approximately RMB1,623,254,000 as the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of share capital and share premium of the subsidiaries acquired by the Company through the exchange of shares during the Company's reorganisation in 2004; (ii) approximately RMB3,577,000 as the difference between the capital injected by Der Ching Investment Co. Ltd. ("Der Ching Investment"), a wholly-owned subsidiary of Asia Cement, and the increase in carrying amount of the non-controlling interest as a result of the deemed disposals. After the capital injection, Der Ching Investment's interest in Sichuan Yadong Cement Co., Ltd. ("Sichuan Yadong") was further increased from 18.92% to 36.84%; and (iii) approximately RMB54,216,000 as the difference between the consideration in acquiring, the remaining 36.84% equity interests in Sichuan Yadong from Der Ching Investment and the decrease in the carrying amount of the non-controlling interest as deemed contribution from Asia Cement.

d. The capital contribution of US$2,000,000 (equivalent to RMB12,943,000) from a non-controlling shareholder represents its share of additional contributed capital in Jiangxi Yadong Cement Corporation Ltd. ("Jiangxi Yadong") as a result of the increase in the registered capital of Jiangxi Yadong during the year ended 31 December 2011.

e. The aggregate notional principal amount of the outstanding United States dollar ("USD") interest rate swap as at 31 December 2011 of US$50,000,000 was entered into to hedge against cash flow interest rate risk in relation to a bank loan. Details of the derivative financial instrument have been disclosed in note 29.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**1,742,141**	643,285
Adjustments for:		
Depreciation and amortisation	**733,969**	616,506
Finance costs	**213,808**	178,001
Allowance for (reversal of) for doubtful debts, net	**25,947**	(437)
Loss on disposal/write-off of property, plant and equipment	**11,961**	2,497
Changes in fair values of derivative financial instruments, net	**1,991**	10,524
Share-based payment expense	**1,663**	4,527
Interest income	**(27,963)**	(9,050)
Share of (profit) loss from an associate	**(1,852)**	247
Share of (profit) loss of jointly controlled entities	**(974)**	271
Imputed interest income on long term receivables	**(386)**	(1,095)
Gain on disposal of a jointly controlled entity	**(31)**	–
Operating cash flows before movements in working capital	**2,700,274**	1,445,276
Increase in trade and other payables	**49,086**	71,464
Increase in trade and other receivables	**(1,029,300)**	(794,054)
Increase in inventories	**(61,437)**	(169,996)
(Increase) decrease in derivative financial instruments	**(16,530)**	649
Increase in amount due from an associate	**(5,912)**	(980)
Decrease in amounts due to jointly controlled entities	**(2,041)**	(171)
Cash generated from operations	**1,634,140**	552,188
Income taxes paid	**(346,918)**	(97,997)
NET CASH FROM OPERATING ACTIVITIES	**1,287,222**	454,191
INVESTING ACTIVITIES		
Interest received	**27,963**	12,546
Withdrawal of restricted/pledged bank deposits	**27,851**	62,571
Repayments of long term receivables from local governments and a port lessor in PRC	**25,612**	5,064
Proceeds on disposal of a jointly controlled entity	**23,916**	–
Proceeds on disposal of property, plant and equipment	**13,493**	9,500
Dividends received from a jointly controlled entity	**500**	–
Purchases of property, plant and equipment	**(463,469)**	(1,516,188)
Placement of restricted/pledged bank deposits	**(45,491)**	–
Purchases of quarry	**(16,355)**	(55,155)
Acquisition of a subsidiary *(note 20)*	**(13,417)**	(217,555)
Advances to local governments and a port lessor in PRC	**(5,461)**	(30,877)
Purchases of land use rights	**(3,678)**	(28,610)
Capital contribution to a jointly controlled entity	**(3,000)**	–
Purchases of intangible assets	**(2,253)**	(5,596)
Investment in an associate	**–**	(12,000)
NET CASH USED IN INVESTING ACTIVITIES	**(433,789)**	(1,776,300)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
FINANCING ACTIVITIES		
Repayments of borrowings	**(1,249,621)**	(1,601,792)
Interest paid	**(213,639)**	(229,980)
Dividends paid	**(155,625)**	(155,625)
Repayments to non-controlling interests	**(26,045)**	–
Dividends paid to non-controlling interests	**(6,760)**	(1,717)
New borrowings raised	**1,830,082**	2,629,056
Capital contribution from a non-controlling interest	**12,943**	–
Advances from non-controlling interests	**–**	37,000
NET CASH FROM FINANCING ACTIVITIES	**191,335**	676,942
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,044,768**	(645,167)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**686,099**	1,331,266
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**1,730,867**	686,099

1. GENERAL

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 7 April 2004 under the Companies Law (2003 Revision), Chapter 22 of the Cayman Islands. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 May 2008. The immediate and ultimate holding company is Asia Cement Corporation, 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 Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sale of cement, concrete and related products.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following new and revised IFRSs issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee (formerly called the IFRIC) of the IASB.

Amendments to IFRSs	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised IFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised IFRSs issued but not yet effective

The Group has not early adopted the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
IFRS 9	Financial Instruments[3]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and revised IFRSs issued but not yet effective (continued)

[1] *Effective for annual periods beginning on or after 1 July 2011.*
[2] *Effective for annual periods beginning on or after 1 January 2013.*
[3] *Effective for annual periods beginning on or after 1 January 2015.*
[4] *Effective for annual periods beginning on or after 1 January 2012.*
[5] *Effective for annual periods beginning on or after 1 July 2012.*
[6] *Effective for annual periods beginning on or after 1 January 2014.*

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

Based on the Group's financial assets and financial liabilities as at 31 December 2011, the directors anticipate that the application of IFRS 9 is not expected to have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The directors are assessing the impact of these five standards on amounts reported in the consolidated financial statements. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (continued)

The amendments to IAS 1 are effective for the Group from annual periods beginning 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Except as described above, the directors of the Company anticipate that the application of the other new and revised IFRSs will have no significant impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards). Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entities (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

When a group entity transacts with a jointly controlled entity, profits or losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the jointly controlled entity that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments received from purchases prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Transportation fee income is recognised when the service is provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than properties under construction as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Quarry

Quarry represents the expenditures incurred by the Group on the (i) acquisition of rights to explore mines and (ii) fulfilment of those specific conditions attached to such rights such as overburden removing, geological conditions improvement and geological exploration. The quarry is stated at cost less amortisation and any recognised impairment loss. The cost of quarry is amortised on a straight-line basis over the shorter of the estimated useful life or the period of the excavation permit of the quarry.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Impairment loss of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, contract or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans or state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, and an associate, and interests in and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instrument other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 6.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, long term receivables, amount due from an associate, restricted/pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 60 days for cement customers and 180 to 365 days for concrete customers, or observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and long term receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or it is those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-making; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Other financial liabilities

Other financial liabilities (including borrowings, trade and other payables, amounts due to non-controlling interests and amounts due to jointly controlled entities) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates a derivative as a hedging instrument for interest rate exposure on USD denominated floating rate bank borrowings (cash flow hedge).

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as other gains or losses.

Amounts previously recognised in other comprehensive income and accumulated in hedging reserve are reclassified to profit or loss in the periods when the hedged interest expense is recognised in profit or loss, in the same line of the consolidated statement of comprehensive income as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and shall be reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged interest expenses affect profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period/recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in the share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share options reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at 31 December 2011, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

Estimated impairment of trade and other receivables and long term receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amounts of trade and other receivables and long term receivables are RMB2,986,842,000 (2010: RMB1,983,489,000) (net of allowance for doubtful debts of RMB76,477,000 (2010: RMB51,067,000)) and RMB74,325,000 (2010: RMB94,090,000), respectively. During the year ended 31 December 2011, net allowance for doubtful debts of RMB25,947,000 (2010: net reversal of doubtful debts of RMB437,000) is recognised in the consolidated statement of comprehensive income.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of goodwill is RMB138,759,000 (2010: RMB138,759,000). No impairment loss has been recognised. Details of the recoverable amount calculation are disclosed in note 21.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior years.

The capital structure of the Group consists of debts that include borrowings as disclosed in note 32, net of bank balances and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure from time to time. As a part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2011 **RMB'000**	2010 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**4,630,355**	2,480,071
Derivative financial instruments	**–**	4,181
Financial liabilities		
Amortised cost	**7,131,646**	6,752,805
Derivative financial instruments	**7,772**	18,720

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include long term receivables, trade and other receivables, trade and other payables, amounts due to non-controlling interests, amount due from an associate, amounts due to jointly controlled entities, borrowings, restricted/pledged bank deposits, derivative financial instruments and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risk (interest rate risk and currency risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group is exposed to the concentration of credit risk in relation to the long term receivables from certain PRC local governments and a port lessor (note 34). The Group will monitor the level of exposure to ensure that follow up actions and/or corrective actions are taken promptly to lower the risk exposure or to recover the overdue balances. Other than the above, the Group has no other significant concentration of credit risk with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are reputable banks in the PRC and Hong Kong.

Market risks

The Group's activities expose it primarily to interest rate risk and foreign currency rate risk. Market risk exposures are further measured by sensitivity analysis. Details of each type of market risks are described as follows:

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the long term receivables (note 34), fixed-rate borrowings (note 32) and restricted/pledged bank deposits (note 30).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, time deposits, restricted/pledged bank deposits (note 30) and variable-rate borrowings (note 32).

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(i) Interest rate risk (continued)

During the years ended 31 December 2011 and 2010, the Group entered into a US$50,000,000 USD interest rate swap contract and a US$50,000,000 cross currency interest rate swap contract respectively to partially hedge against/reduce its exposure to changes in the interest rate of a USD denominated bank borrowing.

The management of the Group monitors interest rate exposure and will consider hedging further interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the London Interbank Offered Rate ("LIBOR") and Benchmark Interest Rate ("Benchmark Rate") of The People's Bank of China arising from the Group's borrowings.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for variable-rate borrowings and bank balances after excluding the borrowing which is hedged by the USD interest rate swap as at 31 December 2011 and the borrowing to which exposure to interest rates was reduced by the cross currency interest rate swap as at 31 December 2010. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis-point (2010: 100 basis-point) and a 30 basis-point (2010: 30 basis-point) increase or decrease are used for the analysis of the Group's exposures to the interest rates on its variable-rate borrowings and variable-rate bank balances respectively. These represent management's assessment of the possible change in interest rate.

Borrowings

If interest rates had been 100 basis points (2010: 100 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year would decrease/increase by approximately RMB51,501,000 (2010: RMB48,756,000). This is mainly attributable to the Group's exposure to the interest rates on its variable-rate borrowings.

Bank balances

If interest rates had been 30 basis points (2010: 30 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year would increase/decrease by approximately RMB3,575,000 (2010: RMB1,549,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

There has been no significant change to the Group's exposure to interest rate risks or manner in which it manages and measures.

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(ii) *Currency risk*

Certain bank deposits (note 30) and bank borrowings (note 32) of the Group are denominated in USD, Euros, Singapore dollars ("SGD") and Hong Kong dollars, being currencies other than the functional currency of the relevant Group entities, which expose the Group to foreign currency risk.

During the year ended 31 December 2010, the Group entered into a cross currency interest rate swap contract with notional amount of US$50,000,000 to reduce its foreign currency exposure on a USD denominated bank borrowing.

The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in Renminbi against the relevant foreign currencies. 10% is the sensitivity rate used in the current year which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items after excluding those to which foreign currency exposure is reduced by cross currency interest rate swaps and adjusts their translation at the year end for a 10% change in foreign currency rates.

A positive number indicates an increase in profit where Renminbi strengthens 10% against USD, Hong Kong dollars, Euros and SGD. For a 10% weakening of Renminbi against USD, Hong Kong dollars, Euros and SGD, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Impact of US dollars		Impact of Hong Kong dollars		Impact of Euros		Impact of SGD	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Increase (decrease) in profit	**352,195**	244,796	**2,154**	2,613	**–**	(10)	**(71)**	(68)

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The table includes both interest and principal cash flows. The weighted average interest rate for the variable-rate borrowings has been calculated using the interest rates prevailing at the end of each reporting period.

Liquidity tables

	Weighted average interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total undis-counted cash flows RMB'000	Total carrying amount at the 31.12.2011 RMB'000
2011								
Trade and other payables	–	550,005	3,000	3,000	9,000	–	565,005	565,005
Amounts due to non-controlling interests	–	10,955	–	–	–	–	10,955	10,955
Amounts due to jointly controlled entities	–	3,899	–	–	–	–	3,899	3,899
Variable interest rate borrowings	3.40	484,370	821,414	2,451,943	2,555,151	–	6,312,878	5,911,399
Fixed interest rate borrowings	3.18	59,275	8,644	17,287	603,287	–	688,493	640,388
		1,108,504	833,058	2,472,230	3,167,438	–	7,581,230	7,131,646

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

	Weighted average interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total undis-counted cash flows RMB'000	Total carrying amount at the 31.12.2010 RMB'000
2010								
Trade and other payables	–	724,927	3,000	3,000	9,000	3,000	742,927	742,927
Amounts due to non-controlling interests	–	37,000	–	–	–	–	37,000	37,000
Amounts due to jointly controlled entities	–	5,940	–	–	–	–	5,940	5,940
Variable interest rate borrowings	3.18	635,609	513,658	1,609,737	2,992,075	611,304	6,362,383	5,854,938
Fixed interest rate borrowings	5.34	53,241	59,778	–	–	–	113,019	112,000
		1,456,717	576,436	1,612,737	3,001,075	614,304	7,261,269	6,752,805

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

c. Fair value

The fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair values of derivative instruments are measured using quoted price and yield curves derived from quoted interest rates matching the maturities of the contracts.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements approximate to their fair values.

6. FINANCIAL INSTRUMENTS (continued)

c. Fair value (continued)

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31.12.2011			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial liability at FVTPL				
USD interest rate swap	**–**	**(7,772)**	**–**	**(7,772)**

	31.12.2010			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial asset at FVTPL				
Cross currency interest rate swap	–	4,181	–	4,181
Financial liabilities at FVTPL				
Cross currency interest rate swap	–	(18,720)	–	(18,720)

There were no transfers between Level 1 and 2 in both years.

7. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2011 RMB'000	2010 RMB'000
Sales of cement products and related products	7,533,973	5,197,161
Sales of concrete	672,860	510,159
	8,206,833	5,707,320

8. SEGMENT INFORMATION

Internal reports that are regularly reviewed by the chief executive officer, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and the assessment of segment performance focus on the revenue and operating results of the cement business and the concrete business, respectively. They are considered as the operating and reportable segments of the Group under IFRS 8. Information relating to assets and liabilities in each segment is not regularly reviewed by CODM.

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2011

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue					
External sales	7,533,973	672,860	8,206,833	–	8,206,833
Inter-segment sales	148,929	27,419	176,348	(176,348)	–
Total	7,682,902	700,279	8,383,181	(176,348)	8,206,833
Segment result	1,983,992	45,620	2,029,612	(25,322)	2,004,290
Unallocated income					21,161
Central administration costs, directors' salaries and other unallocated expense					(72,328)
Share of profit of jointly controlled entities					974
Share of profit of an associate					1,852
Finance costs					(213,808)
Profit before tax					1,742,141

8. SEGMENT INFORMATION (continued)

For the year ended 31 December 2010

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue					
External sales	5,197,161	510,159	5,707,320	–	5,707,320
Inter-segment sales	97,189	33,484	130,673	(130,673)	–
Total	5,294,350	543,643	5,837,993	(130,673)	5,707,320
Segment result	832,331	32,423	864,754	(8,637)	856,117
Unallocated income					20,511
Central administration costs, directors' salaries and other unallocated expense					(54,824)
Share of loss of jointly controlled entities					(271)
Share of loss of an associate					(247)
Finance costs					(178,001)
Profit before tax					643,285

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents profit earned by each segment without allocation of central administration costs, directors' salaries, share of profit/loss of jointly controlled entities and an associate and finance costs. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Inter-segment sales were charged at market price or where no market price was available at cost plus a percentage of profit mark-up.

8. SEGMENT INFORMATION (continued)

Other segment information

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Consolidated RMB'000
2011				
Amounts included in the measure of segment profit or loss:				
Depreciation and amortisation	**689,335**	**33,587**	**11,047**	**733,969**
Loss on disposal/write-off of property, plant and equipment	**11,174**	**626**	**161**	**11,961**
Allowance for (reversal of) doubtful debts, net	**35,467**	**(9,050)**	**(470)**	**25,947**
Amounts that regularly provided to CODM:				
Additions to non-current assets *(note)*	**237,919**	**35,362**	**11,680**	**284,961**

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Consolidated RMB'000
2010				
Amounts included in the measure of segment profit or loss:				
Depreciation and amortisation	574,677	31,231	10,598	616,506
Loss (gain) on disposal of property, plant and equipment	2,602	456	(561)	2,497
(Reversal of) allowance for doubtful debts, net	(106)	(1,236)	905	(437)
Amounts that regularly provided to CODM:				
Additions to non-current assets *(note)*	1,997,484	49,902	14,395	2,061,781

Note: Non-current assets include property, plant and equipment, prepaid lease payments, quarry and other intangible assets.

Geographical Information

The Group's revenue by location of customers is principally derived from the PRC. The Group's non-current assets (property, plant and equipment, quarry, prepaid lease payments, goodwill and other intangible assets) are principally located in PRC.

Information about major customers

No customer contributed over 10% of the total sales of the Group for both years.

9. OTHER INCOME

	2011 RMB'000	2010 RMB'000
Government grant income *(note 41)*	**72,849**	16,766
Transportation fee income	**11,460**	11,211
Sales of scrap materials	**14,819**	10,548
Interest income on bank deposits	**27,963**	9,050
Imputed interest income on long term receivables	**386**	1,095
Rental income, net of outgoings *(note)*	**655**	864
Others	**6,264**	4,795
	134,396	54,329

Note: The direct operating expenses incurred for generating rental income amount to approximately RMB395,000 (2010: RMB245,000).

10. OTHER GAINS AND LOSSES

	2011 RMB'000	2010 RMB'000
Exchange gains, net	**170,837**	64,458
(Allowance for) reversal of doubtful debts, net	**(25,947)**	437
Gain on disposal of a jointly controlled entity *(note 23)*	**31**	–
Changes in fair values of derivative financial instruments, net	**(1,991)**	(10,524)
	142,930	54,371

11. FINANCE COSTS

	2011 RMB'000	2010 RMB'000
Interests on:		
– Bank borrowings wholly repayable within five years	**210,304**	143,247
– Bank borrowings not wholly repayable within five years	**–**	78,639
– Other borrowings	**4,388**	–
Total borrowing costs	**214,692**	221,886
Less: Interests capitalised	**(884)**	(43,885)
	213,808	178,001

Borrowing costs capitalised during the year ended 31 December 2011 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.35% (2010: 4.76%) per annum to expenditure on qualifying assets.

12. INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
The tax expense comprises:		
Current tax:		
– PRC enterprise income tax ("EIT")	**349,184**	114,566
Withholding tax paid	**8,143**	8,137
Under(over) provision in prior years	**184**	(2,710)
Deferred tax *(note 33)*	**(4,765)**	(4,438)
	352,746	115,555

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

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate of PRC subsidiaries is 25% from 1 January 2008 onwards. 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 EIT Law and the Circular 39 would change the applicable tax rate for certain Group's PRC subsidiaries from the preferential rate of 15% to 22%, 24% and 25% for the years ended/ending 31 December 2010, 2011 and 2012 respectively. Further, the State Administration of Taxation and Minister of Finance jointly issued a circular of Caishui [2009] No. 21 to further clarify that, effective from 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.

Pursuant to article 2(1) of "The Notice of Taxation Preferential Policy in the Western Region issued by The General Office of Finance, The State Administration of Taxation, General Administration of Customs" ("Cai Shui [2001] No. 202"), "a preferential corporate tax rate of 15% is applicable to qualified domestic enterprises of national promoted industry set up in the western region and is valid from 2001 to 2010" and "The Notice of Implement of Transitional Preferential Corporate Income Tax Policy issued by State Council" ("Guo Fa [2007] No.39"), Sichuan Yadong was granted a tax concession to pay corporate income tax at a preferential rate of 15% until 2011.

Pursuant to the relevant laws and regulations in the PRC, certain of Group's PRC subsidiaries were exempted from PRC EIT for two years starting from their first profit making year and followed by a 50% reduction on the PRC EIT for the next three years. The tax concessions of the subsidiaries will expire in 2012.

For the year ended 31 December 2011, the relevant tax rates for the Group's PRC subsidiaries ranged from 12.5% to 25% (2010: ranged from 7.5% to 25%).

No provision for Hong Kong Profits Tax nor Singapore income tax has been made in the consolidated statement of comprehensive income as the Group had no assessable profit arising in these jurisdictions for both years.

The Company is not subject to income tax in Cayman Islands and any other jurisdictions.

12. INCOME TAX EXPENSE (continued)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2011 RMB'000	2010 RMB'000
Profit before tax	**1,742,141**	643,285
Tax at the PRC EIT rate of 25% (2010: 25%)	**435,535**	160,821
Tax effect of expenses not deductible for tax purposes	**4,018**	14,267
Tax effect of different tax rates of subsidiaries	**20,167**	14,351
Tax effect of share of profit/loss of jointly controlled entities	**(243)**	68
Tax effect of share of profit/loss of an associate	**(463)**	62
Effect of tax exemptions/concessions granted to PRC subsidiaries	**(118,265)**	(70,329)
Under(over) provision in prior years	**184**	(2,710)
Tax effect of tax loss not recognised	**299**	424
Utilisation and recognition of tax losses not previously recognised	**–**	(7,457)
Deferred tax on undistributed earnings of subsidiaries	**11,514**	6,058
Income tax expense for the year	**352,746**	115,555

Tax rate of 25% is adopted for the tax reconciliation as such tax rate is applicable to most of the Group's operation in the PRC for both years.

Details of movements in deferred tax have been set out in note 33.

13. PROFIT FOR THE YEAR

	2011 RMB'000	2010 RMB'000
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**701,351**	591,799
– Prepaid lease payments	**15,392**	12,121
– Quarry	**12,391**	8,322
– Other intangible assets	**4,835**	4,264
	733,969	616,506
Auditors' remuneration	**6,330**	6,028
Staff costs, including directors' remuneration *(note 14(a))*		
Salaries and other benefits	**280,033**	222,423
Retirement benefits scheme contributions	**16,533**	12,618
Total staff costs	**296,566**	235,041
Loss on disposal/write-off of property, plant and equipment	**11,961**	2,497
Rental payments under operating leases	**20,170**	18,641

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2010: ten) directors were as follows:

Year ended 31 December 2011

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Mr. Hsu, Shu-tong	276	112	–	194	582
Mr. Chang, Tsai-hsiung	346	353	–	97	796
Madam Chiang, Shao Ruey-huey	286	120	–	26	432
Mr. Chang, Chen-kuen	317	1,447	–	26	1,790
Mr. Lin, Seng-chang	285	1,104	–	26	1,415
Mr. Wu, Chung-lih	294	1,297	–	26	1,617
Mr. Liu, Zhen-tao	199	–	–	–	199
Mr. Lei, Qian-zhi	199	–	–	–	199
Mr. Tsim, Tak-lung Dominic	199	–	–	–	199
Mr. Wong, Ying-ho Kennedy	199	–	–	–	199
	2,600	4,433	–	395	7,428

Year ended 31 December 2010

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Mr. Hsu, Shu-tong	275	107	–	991	1,373
Mr. Chang, Tsai-hsiung	338	321	–	496	1,155
Madam Chiang, Shao Ruey-huey	285	115	–	132	532
Mr. Chang, Chen-kuen	321	1,439	–	132	1,892
Mr. Lin, Seng-chang	284	1,328	–	132	1,744
Mr. Wu, Chung-lih	292	1,136	–	132	1,560
Mr. Liu, Zhen-tao	209	–	–	–	209
Mr. Lei, Qian-zhi	209	–	–	–	209
Mr. Tsim, Tak-lung Dominic	209	–	–	–	209
Mr. Wong, Ying-ho Kennedy	209	–	–	–	209
	2,631	4,446	–	2,015	9,092

None of the directors waived any emoluments for both years.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2010: five) were directors of the Company whose emoluments are included in the disclosures in note (a) above. The emoluments of the remaining two (2010: nil) individuals were as follows:

	2011 RMB'000
Salaries and other benefits	2,556
Share-based payments	46
	2,602

The emoluments of the two (2010: nil) individuals were within the band of HK$1,000,001 to HK$1,500,000.

15. DIVIDENDS

	2011 RMB'000	2010 RMB'000
Dividend recognised as distributions during the year:		
2010 Final, paid – RMB10 cents (2010: 2009 final dividend RMB10 cents) per share	155,625	155,625

A final dividend for the year ended 31 December 2011 of RMB17 cents per share (2010: RMB10 cents per share) amounting to approximately RMB264,562,500 (2010: RMB155,625,000) has been proposed by the Board of Directors after the end of the reporting period. The proposed final dividend for the current year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

16. EARNINGS PER SHARE

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

	2011 RMB'000	2010 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	1,340,836	510,873
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,556,250	1,556,250
Effect of dilutive employee share options	1,169	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,557,419	1,556,250

The share options had anti-dilutive effect on the earnings per share for the year ended 31 December 2010 as the average market price of the Company's share was lower than the exercise price of the options.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Trunks, loaders and motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2010	1,830,096	6,009,694	257,835	309,300	–	2,204,764	10,611,689
Additions	4,208	23,631	9,256	17,159	1,307	1,491,778	1,547,339
Acquired on acquisition of a subsidiary *(note 20)*	88,600	142,786	464	1,782	–	–	233,632
Disposals	(824)	(16,487)	(2,771)	(12,309)	–	–	(32,391)
Transfer	759,892	2,472,613	21,856	58,262	–	(3,312,623)	–
At 31 December 2010	2,681,972	8,632,237	286,640	374,194	1,307	383,919	12,360,269
Additions	2,642	1,642	7,675	37,725	136	212,855	262,675
Disposals/write-off	(12,062)	(15,666)	(834)	(14,587)	–	–	(43,149)
Transfer	57,743	363,095	16,415	10,963	–	(448,216)	–
At 31 December 2011	**2,730,295**	**8,981,308**	**309,896**	**408,295**	**1,443**	**148,558**	**12,579,795**
ACCUMULATED DEPRECIATION							
At 1 January 2010	191,402	1,299,204	127,209	149,722	–	–	1,767,537
Provided for the year	76,574	451,188	33,512	30,398	127	–	591,799
Eliminated on disposals	(120)	(8,416)	(2,555)	(9,303)	–	–	(20,394)
At 31 December 2010	267,856	1,741,976	158,166	170,817	127	–	2,338,942
Provided for the year	82,198	542,724	35,910	40,348	171	–	701,351
Eliminated on disposals/write-off	(3,481)	(2,380)	(698)	(11,136)	–	–	(17,695)
At 31 December 2011	**346,573**	**2,282,320**	**193,378**	**200,029**	**298**	**–**	**3,022,598**
CARRYING VALUES							
At 31 December 2011	**2,383,722**	**6,698,988**	**116,518**	**208,266**	**1,145**	**148,558**	**9,557,197**
At 31 December 2010	2,414,116	6,890,261	128,474	203,377	1,180	383,919	10,021,327

17. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	20–35 years
Plant and machinery	10–20 years
Furniture, fixtures and office equipment	5–15 years
Trucks, loaders and motor vehicles	5–15 years
Leasehold improvement	Over the shorter of term of the relevant leases or 5 years

18. QUARRY

	RMB'000
COST	
At 1 January 2010	171,942
Additions	83,172
At 31 December 2010	255,114
Additions	16,355
At 31 December 2011	**271,469**
AMORTISATION	
At 1 January 2010	31,281
Provided for the year	8,322
At 31 December 2010	39,603
Provided for the year	12,391
At 31 December 2011	**51,994**
CARRYING VALUES	
At 31 December 2011	**219,475**
At 31 December 2010	215,511

Quarry is amortised over the shorter of the estimated useful life or the period of excavation permit of the quarry.

19. PREPAID LEASE PAYMENTS

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

Analysed for reporting purposes as:

	2011 RMB'000	2010 RMB'000
Non-current assets	**536,954**	548,729
Current assets	**14,552**	14,491
	551,506	563,220

Land use rights are amortised on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by the Group in the PRC.

At 31 December 2011, prepaid lease payments with carrying value of approximately RMB195,512,000 (2010: approximately RMB198,011,000) have yet to obtain the land use right certificates. The Group is currently in the process of obtaining these land use right certificates.

20. ACQUISITION OF A SUBSIDIARY

On 12 July 2010, the Group acquired 70% equity interest in 武漢鑫淩雲水泥有限公司 Wuhan Xinlingyun Cement Co., Ltd ("Wuhan Xinlingyun") at a consideration of approximately RMB250,250,000. This acquisition had been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was RMB138,759,000. Wuhan Xinlingyun is engaged in cement business and was acquired so as to continue the expansion of the Group's cement business. After the acquisition, Wuhan Xinlingyun was renamed as Wuhan Yaxin Cement Co., Ltd. ("Wuhan Yaxin").

Assets acquired and liabilities recognised at the date of acquisition were as follows:

	Fair value RMB'000
Prepaid lease payments	**43,200**
Property, plant and equipment	**233,632**
Intangible assets	**19,089**
Inventories	**25,683**
Trade and other receivables	**73,247**
Bank balances and cash	**19,278**
Borrowings	**(81,000)**
Trade and other payables	**(157,865)**
Deferred tax liabilities	**(15,990)**
	159,274

20. ACQUISITION OF A SUBSIDIARY (continued)

Goodwill arising on acquisition:

	RMB'000
Cash consideration	**250,250**
Plus: non-controlling interests (30% in Wuhan Xinlingyun)	**47,783**
Less: net assets acquired	**(159,274)**
Goodwill arising on acquisition	**138,759**

The non-controlling interests (30%) in Wuhan Xinlingyun recognised at the acquisition date were measured at their proportionate share of net assets acquired and amounted to RMB47,783,000.

Goodwill arose in the acquisition of Wuhan Xinlingyun because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Wuhan Xinlingyun. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions was expected to be deductible for tax purposes.

The gross contractual amounts receivables acquired amounted to RMB73,553,000 of which RMB306,000 was not expected to be collected at the acquisition date, hence the fair value of the receivables approximated RMB73,247,000.

Net cash outflow on acquisition of Wuhan Xinlingyun

	RMB'000
Total cash consideration	**250,250**
Less: cash and cash equivalent balances acquired	**(19,278)**
Less: consideration not yet paid included in other payables as at 31 December 2010 *(note)*	**(13,417)**
	217,555

Note: The balance was fully settled during the year ended 31 December 2011.

Included in the profit for the year ended 31 December 2010 was RMB15,907,000 attributable to the additional business generated by Wuhan Xinlingyun. Revenue for the year ended 31 December 2010 includes RMB171,465,000 generated from Wuhan Xinlingyun.

Had the acquisition been completed on 1 January 2010, total group revenue for the year ended 31 December 2010 would have been RMB5,846,000,000, and profit for the year ended 31 December 2010 would have been RMB513,471,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

21. GOODWILL

	RMB'000
COST	
At 1 January 2010	–
Arising on acquisition of a subsidiary *(note 20)*	138,759
At 31 December 2010, 1 January 2011 and 31 December 2011	138,759

For the purpose of impairment testing, goodwill has been allocated to an individual cash generating unit ("CGU"), representing Wuhan Yaxin, a subsidiary in the cement segment (see note 20).

During the year ended 31 December 2011, management of the Group determines that there is no impairment of the above CGU containing goodwill.

The basis of the recoverable amount of the above CGU and its major underlying assumptions are summarised below:

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 10-year period which approximates to the number of years when stable cash inflows are expected by the management based on market situations, and discount rate of 11.63% per annum. Cash flows beyond the 10-year period are extrapolated using a steady 3.1% per annum growth rate. This growth rate is based on the cement industry growth forecasts and does not exceed the average long-term growth rate for the cement industry. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on Wuhan Yaxin's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Wuhan Yaxin to exceed the recoverable amount of Wuhan Yaxin.

22. OTHER INTANGIBLE ASSETS

	Backlog orders RMB'000	Customer relationships RMB'000	Software RMB'000	Total RMB'000
COST				
At 1 January 2010	–	–	–	–
Additions	–	–	5,596	5,596
Acquired on acquisition of a subsidiary *(note 20)*	779	18,310	–	19,089
At 31 December 2010 and 1 January 2011	779	18,310	5,596	24,685
Additions	–	–	2,253	2,253
Disposals	–	–	(4)	(4)
At 31 December 2011	**779**	**18,310**	**7,845**	**26,934**
ACCUMULATED AMORTISATION				
At 1 January 2010	–	–	–	–
Provided for the year	779	1,831	1,654	4,264
At 31 December 2010 and 1 January 2011	779	1,831	1,654	4,264
Provided for the year	–	3,662	1,173	4,835
Disposals	–	–	(4)	(4)
At 31 December 2011	**779**	**5,493**	**2,823**	**9,095**
CARRYING VALUES				
At 31 December 2011	**–**	**12,817**	**5,022**	**17,839**
At 31 December 2010	–	16,479	3,942	20,421

The above items of other intangible assets are amortised on a straight-line basis at the following rates per annum:

Backlog orders	1/2 year
Customer relationships	5 years
Software	5 years

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES

At 31 December 2011 and 2010, the Group had interests in the following unlisted jointly controlled entities:

Name of entity	Form of business structure	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group 2011	2010	Principal activity
武漢長亞航運有限公司 Wuhan Asia Marine Transport Corporation Ltd. ("Wuhan Asia")	Sino-foreign equity joint venture	The PRC	**50%**	50%	Provision of transportation services
成都亞鑫礦渣粉有限公司 Chengdu Ya Xin Slag Micro Powder Co. Ltd. ("Chengdu Yaxin")	Sino-foreign equity joint venture	The PRC	**–** ***(note)***	49%	Manufacture and sale of slag powder

Note: In April 2011, the Group disposed of its entire 49% equity interest in Chengdu Yaxin to an independent third party venturer, at a net proceed of RMB23,916,000. The carrying amount of Chengdu Yaxin was RMB23,885,000 at the date of disposal. The transaction resulted in a gain on disposal of approximately RMB31,000.

	2011 RMB'000	2010 RMB'000
Investments in jointly controlled entities, at cost	**17,750**	37,426
Share of post-acquisition profits and other comprehensive income, net of dividends received	**7,594**	8,329
	25,344	45,755

The summarised financial information in respect of the Group's interests in the jointly controlled entities accounted for using the equity method is set out below:

	2011 RMB'000	2010 RMB'000
Current assets	**5,887**	19,975
Non-current assets	**28,659**	45,729
Current liabilities	**(9,202)**	(8,674)
Non-current liabilities	**–**	(11,275)
Income recognised in profit or loss	**22,394**	24,026
Expense recognised in profit or loss	**(21,420)**	(24,297)

24. INTEREST IN AN ASSOCIATE

	2011 RMB'000	2010 RMB'000
Cost of investment in an unlisted associate	**12,000**	12,000
Share of post-acquisition profits (losses) and other comprehensive income (expense)	**1,605**	(247)
	13,605	11,753

As at 31 December 2011 and 2010, the Group had interest in the following associate:

Name of entity	Form of entity	Principal place of establishment and operation	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
			2011	2010	**2011**	2010	
湖北中建亞東混凝土有限公司 Hubei Zhongjian Yadong Concrete Company Limited ("Hubei Zhongjian")	Foreign – interested enterprise	The PRC	**40%**	40%	**40%** ***(note)***	40%	Production and sales of concrete

Note: The Group is able to exercise significant influence over Hubei Zhongjian because it has the power to appoint two out of the five directors of that company under the provisions stated in the Articles of Association of that company.

The summarised financial information in respect of the Group's associate is set out below:

	2011 RMB'000	2010 RMB'000
Total assets	**54,931**	29,473
Total liabilities	**(20,919)**	(90)
Net assets	**34,012**	29,383
Group's share of net assets of associate	**13,605**	11,753

24. INTEREST IN AN ASSOCIATE (continued)

	2011 RMB'000	2010 RMB'000
Revenue	**79,371**	–
Profit (loss) for the year	**4,629**	(618)
Other comprehensive income	**–**	–
Group's share of profits (losses) and other comprehensive income (expense) of associate for the year	**1,852**	(247)

25. INVENTORIES

	2011 RMB'000	2010 RMB'000
Spare parts and ancillary materials	**306,698**	273,293
Raw materials	**307,740**	304,568
Work in progress	**72,884**	49,274
Finished goods	**53,784**	52,534
	741,106	679,669

26. TRADE AND OTHER RECEIVABLES

	2011 RMB'000	2010 RMB'000
Trade receivables	**978,086**	699,781
Less: accumulated allowance	**(74,145)**	(48,735)
	903,941	651,046
Bills receivable	**1,839,726**	999,734
Other receivables	**32,011**	24,763
Less: accumulated allowance	**(2,332)**	(2,332)
	29,679	22,431
	2,773,346	1,673,211
Advances to suppliers	**144,156**	104,728
Deposits	**7,516**	5,922
Prepayments	**3,434**	3,211
Value-added tax recoverable	**58,390**	196,417
	2,986,842	1,983,489

26. TRADE AND OTHER RECEIVABLES (continued)

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

The following is an ageing analysis of trade and bills receivable net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2011 **RMB'000**	2010 RMB'000
0–90 days	**1,837,089**	1,229,161
91–180 days	**756,127**	297,044
181–365 days	**131,683**	101,979
Over 365 days	**18,768**	22,596
	2,743,667	1,650,780

Trade receivables at the end of reporting period mainly comprise amounts receivable from the cement and concrete business. No interest is charged on the trade receivables.

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limits by customer. Limits attributed to customers are reviewed once a year. Approximately 90% (2010: 86%) of the trade receivables as at 31 December 2011 are neither past due nor impaired. These receivables comprise principally receivables from customers with good credit quality by reference to their past repayment records.

Included in the Group's trade receivables balances are debtors with a carrying amount of approximately RMB24,298,000 (2010: approximately RMB51,014,000) which are past due at 31 December 2011 for which the Group has not provided for allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. These trade receivables which are past due but not impaired as at 31 December 2011 are aged over 180 days (2010: over 180 days).

An allowance has been made for estimated irrecoverable amounts arising from the sale of goods which has been determined by reference to past default experience and objective evidence of impairment such as an analysis of the particular customers and their financial conditions and the ages of the trade receivables.

26. TRADE AND OTHER RECEIVABLES (continued)

Movement of the allowance for doubtful debts for trade and other receivables for the year is set out as follows:

	Other receivables		Trade receivables	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Balance at beginning of year	**2,332**	2,332	**48,735**	49,783
Additions	**–**	–	**37,858**	7,578
Reversal	**–**	–	**(11,911)**	(8,015)
Written off	**–**	–	**(537)**	(611)
Balance at end of year	**2,332**	2,332	**74,145**	48,735

27. AMOUNTS DUE FROM (TO) RELATED COMPANIES

(a) Amount due from an associate

	2011	2010
	RMB'000	RMB'000
Hubei Zhongjian (trade related)	**6,892**	980

The amount as at 31 December 2011 was unsecured, non-interest bearing and with a credit term of 30 days. The age of the amount is within 90 days.

(b) Amounts due to jointly controlled entities

	2011	2010
	RMB'000	RMB'000
Wuhan Asia (trade related)	**3,899**	4,289
Chengdu Yaxin (trade related)	**–**	1,651
	3,899	5,940

The amounts as at 31 December 2011 were unsecured, non-interest bearing and with a credit term of 30 days. The ages of the amounts are within 90 days.

28. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts were of non-trade nature. It was unsecured, non-interest bearing and repayable on demand.

29. DERIVATIVE FINANCIAL INSTRUMENTS

	2011		2010	
	Assets	**Liabilities**	Assets	Liabilities
	RMB'000	**RMB'000**	RMB'000	RMB'000
Derivative under hedge accounting				
USD interest rate swap	**–**	**7,772**	–	–
Other derivatives – not under hedge accounting				
Cross currency interest rate swaps	**–**	**–**	4,181	18,720
	–	**7,772**	4,181	18,720
Analysed for reporting purposes as:				
Non-current	**–**	**7,772**	–	13,937
Current	**–**	**–**	4,181	4,783
	–	**7,772**	4,181	18,720

Year ended 31 December 2011

At 31 December 2011, the Group had an outstanding USD interest rate swap contract designated as a highly effective hedging instrument in order to partially hedge the Group's cash flow interest rate exposure on a USD denominated floating rate bank borrowing (note 32).

The terms of the USD interest rate swap contract have been negotiated to match the terms of the USD denominated floating rate bank borrowing.

Major terms of the USD interest rate swap are as follows:

Notional amount	Maturity	Swap
US$50,000,000	20.10.2015	From LIBOR to 1.75% per annum

During the year ended 31 December 2011, a fair value loss of RMB7,772,000 has been recognised in other comprehensive income and accumulated in equity. It will be reclassified to profit or loss in the periods in which payments of interest on the USD denominated floating rate bank borrowing are recognised.

The fair value of the USD interest rate swap is measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The Group's outstanding cross currency interest rate swap contracts as at 31 December 2010 have been either matured or early settled during the year.

29. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Year ended 31 December 2010

At 31 December 2010, the Group had several outstanding cross currency interest rate swap contracts to reduce the Group's foreign currency and interest rate exposures on a USD denominated bank borrowing.

Major terms of the cross currency interest rate swaps were as follows:

Notional amount	Swap rate	Maturity	Swaps
US$50,000,000	RMB/USD6.8262	18.3.2012	From LIBOR +1.0% to 0% per annum
US$20,000,000	RMB/USD6.8264	25.3.2011	From LIBOR +0.5% to -0.5% per annum
US$20,000,000	RMB/USD6.8264	25.3.2011	From -0.4% to LIBOR +0.5% per annum

The fair values of cross currency interest rate swaps were measured at the present value of future cash flows estimated using quoted exchange rate and discounted based on the applicable yield curves derived from quoted interest rates.

30. RESTRICTED/PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The amounts comprise bank balances and cash with an original maturity of three months or less and restricted/pledged bank deposits. The restricted/pledged bank deposits and bank balances carry interest rates ranging from 0.01% to 2.60% (2010: 0.01% to 2.25%) per annum.

The bank balances (including restricted/pledged bank deposits) with fixed and floating interest rates amount to approximately RMB264,056,000 (2010: RMB76,493,000) and approximately RMB1,503,210,000 (2010: RMB628,562,000), respectively.

During the year ended 31 December 2011, under the "Jiangxi Mine Environmental Management and Ecological Restoration Margin Interim Measures" formulated by the Jiangxi Provincial Department of Finance and the Provincial Department of Provincial Environmental Protection Bureau, the Group is requested by the PRC authorities to make deposit, which is restricted for withdrawal, amounting to RMB19,217,000 (2010: nil) in its own bank account as guarantee money to PRC authorities for carrying out mine environmental management and ecological restoration work. Additional deposits will have to be made through annual instalments in subsequent years over the remaining periods of respective mining rights. These restricted bank deposits will be released after the Group has completed the restoration work up to the standard accepted by the Ministry of Land and Resources of the People's Republic of China. The management of the Group expects the restoration work to be carried out and completed after the expiries of the respective mining rights, ranging from years of 2016 to 2038. Thus the above restricted bank deposits are classified as non-current assets.

The remaining deposits amounting to RMB18,192,000 as at 31 December 2011 (2010: nil) have been restricted for withdrawal as product quality guarantee money which will be released within one year and are therefore classified as current assets.

As at 31 December 2010, deposits amounting to RMB19,769,000 have been pledged to secure short-term banking facilities granted to the Group and are therefore classified as current assets. The pledged bank deposits will be released upon release of banking facilities granted by the bank.

30. RESTRICTED/PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH (continued)

The Group's restricted/pledged bank deposits and bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2011 RMB'000	2010 RMB'000
Denominated in USD	**76,202**	83,750
Denominated in Hong Kong dollars	**3,993**	1,866
Denominated in Euros	**1**	97
Denominated in SGD	**863**	825

31. TRADE AND OTHER PAYABLES

	2011 RMB'000	2010 RMB'000
Trade payables	**296,783**	237,292
Bills payable	**4,685**	6,256
	301,468	243,548
Accruals	**74,506**	72,440
Deposits	**92,700**	86,188
Staff wages and welfare payable	**54,310**	40,856
Value added tax payable	**51,660**	23,592
Construction cost payable	**52,805**	254,483
Payables to ex-shareholders of Wuhan Yaxin	**10,311**	84,209
Consideration payable for acquisition of a subsidiary *(note 20)*	**–**	13,417
Other payables	**94,451**	82,822
	732,211	901,555
Analysed for reporting purposes as:		
Non-current liabilities *(note)*	**12,000**	15,000
Current liabilities	**720,211**	886,555
	732,211	901,555

Note: The balance represented consideration payables for acquisition of quarries, repayable by annual instalment of RMB3 million.

31. TRADE AND OTHER PAYABLES (continued)

The following is an ageing analysis of trade and bills payable presented based on the invoice date at the end of the reporting period:

	2011 RMB'000	2010 RMB'000
0–90 days	**274,938**	232,875
91–180 days	**18,597**	2,660
181–365 days	**6,476**	4,874
Over 365 days	**1,457**	3,139
	301,468	243,548

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period for trade purchases is 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

32. BORROWINGS

	2011 RMB'000	2010 RMB'000
Bank borrowings – unsecured	**5,961,399**	5,966,938
Fixed rate notes – unsecured *(note)*	**590,388**	–
	6,551,787	5,966,938

Note: In September 2011, the Company issued fixed rate unsecured notes in an aggregate principal amount of RMB586 million. The unsecured notes bear fixed interest at 2.95% per annum and will be fully repayable in September 2014. The fixed rate notes are listed on the Stock Exchange.

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2011 RMB'000	2010 RMB'000
Denominated in USD	**3,672,542**	3,003,593
Denominated in Hong Kong dollars	**34,049**	37,100

32. BORROWINGS (continued)

The borrowings are repayable as follows:

	2011 RMB'000	2010 RMB'000
Within one year	1,335,726	1,244,228
In the second year	2,355,614	1,555,566
In the third year	1,350,461	854,705
In the fourth year	1,417,486	837,292
In the fifth year	92,500	1,000,147
After five years	–	475,000
	6,551,787	5,966,938
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(1,335,726)	(1,244,228)
Amounts due for settlement after 12 months	5,216,061	4,722,710

The borrowings carrying fixed and variable interest rates with reference to the Benchmark Rate for RMB borrowings, or the LIBOR for foreign currency borrowings are as follows:

	2011		2010	
	Carrying amount RMB'000	Interest rates	Carrying amount RMB'000	Interest rates
Fixed-rate borrowings	640,388	2.95% – 5.90%	112,000	4.37% – 6.62%
Variable-rate borrowings	5,911,399	90% to 100% of Benchmark Rate, or LIBOR plus margin of 0.5% to 3.5%	5,854,938	90% to 100% of Benchmark Rate, or LIBOR plus margin of 0.5% to 1%
	6,551,787		5,966,938	

The interest rate which is also equal to the contracted interest rate in the Group's variable-rate bank borrowings ranges from 1.09% to 6.56% (2010: 0.76% to 5.76%) per annum. Interest is repriced quarterly.

33. DEFERRED TAX

The following are the major deferred tax (liabilities) assets recognised and the movement thereon during the year.

	Fair values adjustment on assets acquired in business acquisition RMB'000	Interest capitalised as part of property, plant and equipment RMB'000	Impairment of trade and other receivables RMB'000	Tax loss RMB'000	Pre–operating expenses RMB'000	Un-distributed earnings of subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010	–	(4,114)	13,031	628	1,803	(7,440)	–	3,908
Acquired on acquisition of a subsidiary *(note 20)*	(15,990)	–	–	–	–	–	–	(15,990)
Withholding tax paid	–	–	–	–	–	8,137	–	8,137
Credit (charge) to profit or loss	1,320	294	(264)	1,775	(766)	(6,058)	–	(3,699)
At 31 December 2010	(14,670)	(3,820)	12,767	2,403	1,037	(5,361)	–	(7,644)
Withholding tax paid	–	–	–	–	–	8,143	–	8,143
Credit (charge) to profit or loss	1,278	338	5,937	28	(659)	(11,514)	1,214	(3,378)
At 31 December 2011	(13,392)	(3,482)	18,704	2,431	378	(8,732)	1,214	(2,879)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on new tax rates and tax laws that have been enacted at the end of the reporting period.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting presentation purposes:

	2011 RMB'000	2010 RMB'000
Deferred tax assets	**21,200**	14,877
Deferred tax liabilities	**(24,079)**	(22,521)
	(2,879)	(7,644)

33. DEFERRED TAX (continued)

At 31 December 2011, the Group has unused tax losses of approximately RMB12,613,000 (2010: RMB11,304,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB9,724,000 (2010: RMB9,612,000) of such losses. No deferred tax asset has been recognised in respect of remaining approximately RMB2,889,000 (2010: RMB1,692,000) due to the unpredictability of future profit stream. As at 31 December 2011, the tax losses of RMB1,020,000, RMB1,492,000, RMB5,704,000 and RMB4,397,000 will expire in 2012, 2013, 2015 and 2016, respectively.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by Group's PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2011, deferred tax has been provided in respect of RMB198,155,000 (2010: RMB118,225,000) undistributed earnings of the Group's PRC subsidiaries. Deferred tax has not been provided in respect of the remaining temporary differences attributable to the undistributed earnings as the Group is in a position to control the quantum and timing of the distribution thereof, deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future. Deferred tax in respect of the undistributed earnings of the Group's associate and jointly controlled entities in the PRC have not been provided as the amount involved is not significant.

As at 31 December 2011, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries, jointly controlled entities and associate in respect of which deferred tax has not been provided for were approximately RMB2,553,352,000 (2010: RMB1,319,469,000), RMB5,456,000 (2010: RMB7,155,000) and RMB4,012,000 (2010: nil) respectively.

34. LONG TERM RECEIVABLES

	2011 RMB'000	2010 RMB'000
Receivables from		
瑞昌市人民政府 (the "Ruichang City Government") *(note a)*	**7,268**	9,443
武漢市新洲區人民政府 (the "Wuhan City Government") *(note b)*	**20,380**	27,270
彭州市人民政府 (the "Pengzhou City Government") *(note c)*	**30,182**	29,401
黃岡市人民政府 (the "Huanggang City Government") *(note d)*	**–**	9,172
Yangzhou No. 2 Power Plant Company Limited (the " Yangzhou No. 2 Power Plant") *(note e)*	**16,495**	18,804
	74,325	94,090
Less: Amounts due within one year	**(14,942)**	(15,083)
Amounts due after one year	**59,383**	79,007

34. LONG TERM RECEIVABLES (continued)

Notes:

a. From 2002 to 2005, Jiangxi Yadong, a subsidiary of the Company and the Ruichang City Government entered into various agreements. Pursuant to these agreements, Jiangxi Yadong advanced funds of RMB7.8 million to the Ruichang City Government from 2002 to 2005 to facilitate the transfer of a piece of land to Jiangxi Yadong for the construction of the second production line. In 2007, Jiangxi Yadong further advanced approximately RMB8.05 million to the Ruichang City Government in relation to the transfer of the said land and Jiangxi Yadong obtained the land use right of that piece of land. The RMB8.05 million advance made in 2007 had been adjusted to its initial fair value based on the discounted cash flows on the expected receivable amount using a discount rate of 1.01%. In May 2003, on behalf of Asia Continent Investment Holdings Pte., Ltd. (a subsidiary of the Company), Jiangxi Yadong made a payment of approximately RMB4 million to the Ruichang City Government for the acquisition of the 2% equity interests in Jiangxi Yadong owned by 江西省建材集團公司 (a non-controlling interest and an investment vehicle of the Ruichang City Government). The proposed acquisition was subsequently turned down by the Ruichang City Government and approximately RMB2 million was returned to Jiangxi Yadong in 2005. The remaining RMB2 million was fully settled during the year ended 31 December 2011.

   As represented by the management, the advances of approximately RMB7.27 million (2010: RMB9.44 million) are unsecured, non-interest bearing and repayable through the refund of certain taxes to be payable to the Ruichang City Government and offsetting of dividends payable by Jiangxi Yadong to 江西省建材集團公司. The directors consider that these advances will be fully recoverable by 2017.

   Upon the completion of the global offering of the Company's shares in May 2008, Asia Cement has provided an indemnity in respect of any loss on the aforesaid receivables due from the Ruichang City Government which cannot be recovered by Jiangxi Yadong in accordance with the expected time as per above.

b. Hubei Yadong Cement Co., Ltd ("Hubei Yadong"), a subsidiary of the Company, and the Wuhan City Government entered into two agreements. Pursuant to the first agreement entered into in March 2006, Hubei Yadong advanced funds of approximately RMB8 million to the Wuhan City Government to facilitate the transfer of a piece of land to Hubei Yadong for the construction of its plant. The advance is unsecured, non-interest bearing and will be repayable in four equal annual installments commencing 31 December 2010. During the year ended 31 December 2011, RMB2 million was settled by the Wuhan City Government.

   In August 2007, in order to ensure that Hubei Yadong would have a reliable local source of electricity, Hubei Yadong entered into a second agreement with the Wuhan City Government pursuant to which Hubei Yadong committed to advance funds of approximately RMB20 million to the Wuhan City Government.

   Up to 31 December 2011, RMB14.4 million (2010: RMB19.4 million) was made to the Wuhan City Government. The advances are unsecured, non-interest bearing and will be repayable through refund of 50% of certain taxes to be paid to the Wuhan City Government upon the commencement of Hubei Yadong's cement production. The directors consider that the advance will be fully recoverable by 2015.

   Upon completion of the global offering of the Company's shares in May 2008, Asia Cement has provided an indemnity in respect of any loss on the receivables due from the Wuhan City Government which cannot be recovered by Hubei Yadong in accordance with the expected time as per above.

c. In March 2004, Oriental Industrial Holdings Pte., Ltd., a subsidiary of the Company and the immediate holding company of Sichuan Yadong, and Pengzhou City Government entered into an agreement in which both parties agreed to construct certain electricity supply facilities jointly in Sichuan. The balance of approximately RMB10.2 million as at 31 December 2011 (2010: RMB6.1 million) represented the portion of the construction costs to be borned by the Pengzhou City Government.

   In July 2006, Sichuan Yadong entered into another agreement with the Pengzhou City Government. Pursuant to the agreement, in order to ensure sufficient supply of lime stones to the factory of Sichuan Yadong, Sichuan Yadong borrowed RMB200 million from a bank to finance the construction of a belt for transporting the lime stones. The Pengzhou City Government is responsible for the reimbursement of the transportation costs incurred during the construction period of the belt and the interest expenses arising on the bank loan for up to a period of 2 years from the drawn down of the loan. The receivables are unsecured, interest free and repayable on demand. As at 31 December 2011, the receivables in respect of the transportation costs and interest expense have been fully settled.

34. LONG TERM RECEIVABLES (continued)

Notes: (continued)

c. (continued)

In April 2007, Sichuan Yadong entered into another agreement with the Pengzhou City Government. Pursuant to the agreement, Sichuan Yadong advanced funds of RMB10 million to the Pengzhou City Government to facilitate the transfer of a piece of land to Sichuan Yadong for the construction of its plant.

In October 2010, Sichuan Yadong entered into another agreement with the Pengzhou City Government. Pursuant to the agreement, Sichuan Yadong advanced additional funds of RMB10 million (up to RMB30 million) to the Pengzhou City Government for compensating the citizens for re-location in the surrounding area of the construction land of its plant.

In 2010, Sichuan Yadong negotiated a revised payment plan with the Pengzhou City Government in respect of the receivables. Pursuant to the revised payment plan, the advances as at 31 December 2010 will be settled by installments of RMB5 million annually commencing from 2010.

d. In January 2009, in order to ensure that Huanggang Yadong Cement Co., Ltd. ("Huanggang Yadong") has a reliable source of electricity, Huanggang Yadong entered into an agreement with the Huanggang City Government, pursuant to which Huanggang Yadong advanced RMB12 million to Huanggang City Government to facilitate the construction of power city lines. As at 31 December 2011, the receivables from Huanggang City Government have been fully settled.

e. In June 2010, in order to secure the exclusive use of the extended port in Yangzhou, Jiangsu province of the PRC, Yangzhou Yadong Cement Co. Ltd. ("Yangzhou Yadong"), a subsidiary, has entered into agreement with a port lessor (an independent third party) namely Yangzhou No. 2 Power Plant, pursuant to which Yangzhou Yadong paid RMB20 million to facilitate the construction of an extended port during the year 2010. The advance is unsecured and non-interest bearing. According to the agreement, Yangzhou No.2 Power Plant will repay the amount through the deduction of rental expenses incurred by Yangzhou Yadong in its port. The lease for the port was negotiated for a term of 20 years. The minimum annual rental charged by Yangzhou No. 2 Power Plant will be RMB1.5 million each year starting from 2011 to the end of the lease, representing minimum annual usage of 500,000 tons, charged at a rate of RMB3 per ton. Usage in excess of the minimum level will be charged at a rate of RMB2 per ton.

During the current year, RMB2.3 million (2010: RMB1.2 million) has been repaid through offsetting the rental expenses and the balance as at 31 December 2011 is RMB16.5 million.

35. 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 2010, 31 December 2010, 1 January 2011 and 31 December 2011	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	1,556,250,000	155,625	139,549

36. OPERATING LEASES

The Group as lessee

	2011 RMB'000	2010 RMB'000
Minimum lease payments paid/payable under operating leases during the year	**12,677**	13,571
Contingent rents paid/payable under operating leases during the year	**7,493**	5,070
	20,170	18,641

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2011 RMB'000	2010 RMB'000
Within one year	**12,710**	12,549
In the second to fifth years inclusive	**46,145**	46,942
After five years	**124,099**	134,204
	182,954	193,695

Operating lease payments represent rental paid/payable by the Group for certain of its port facilities, office premises and motor vehicles. Leases are negotiated for terms ranging from 1 to 20 years. There are no operating lease commitments for motor vehicles and the rentals are based on actual usage.

The Group as lessor

Rental income earned was RMB655,000 and RMB864,000 for the years ended 31 December 2011 and 2010, respectively. The Group leases its motor vehicles under operating lease arrangements with no fixed lease terms.

37. CAPITAL COMMITMENTS

	2011 RMB'000	2010 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment and land use rights contracted for but not provided in the consolidated financial statements	**47,318**	90,673

38. SHARE BASED PAYMENT TRANSACTIONS

(a) Pre-IPO Share Option Scheme

Equity-settled share option scheme:

Pursuant to a written resolution of all the shareholders on 13 December 2007, a share option scheme ("Pre-IPO Share Option Scheme") was adopted by the Company. Pursuant to the Pre-IPO Share Option Scheme, the Company may grant options to the employees of the Company or of its subsidiaries to subscribe for shares of the Company.

During the year ended 31 December 2008, options under the Pre-IPO Share Option Scheme with 11,578,000 shares, representing approximately 0.7% of the enlarged issued share capital of the Company as at 31 December 2008 were granted. The estimated fair value of the options at the date of grant is approximately HK$26,202,000 (equivalent to approximately RMB23,547,000). For the years ended 31 December 2011 and 2010, no options have been granted under Pre-IPO Share Option Scheme.

Details of the share options which were granted under the Pre-IPO Share Option Scheme and remained outstanding at the end of the reporting period are as follows:

Category of grantee	Date of grant	Exercise price per share	Exercisable period	Vesting date	As at 31.12.2010 and 31.12.2011
Directors	17 April 2008	HK$4.2075	17.4.2009–16.4.2014	17.4.2009	2,013,000
			17.4.2010–16.4.2014	17.4.2010	2,013,000
			17.4.2011–16.4.2014	17.4.2011	2,074,000
					6,100,000
Employees under continuous employment contract	17 April 2008	HK$4.2075	17.4.2010–16.4.2014	17.4.2010	1,643,400
			17.4.2011–16.4.2014	17.4.2011	1,643,400
			17.4.2012–16.4.2014	17.4.2012	1,095,600
			17.4.2013–16.4.2014	17.4.2013	1,095,600
					5,478,000
					11,578,000

No options were exercised under Pre-IPO Share Option Scheme during the years ended 31 December 2011 and 2010.

The Group recognised the total expense of approximately RMB1,663,000 (2010: approximately RMB4,527,000) for the year in relation to share options granted by the Company.

Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

38. SHARE BASED PAYMENT TRANSACTIONS (continued)

(b) Share Option Scheme

Pursuant to the share option scheme adopted by the Company on 27 April 2008 (the "Share Option Scheme"), the directors of the Company may invite participants to take up options at a price determined by the Board of Directors but in any event shall not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant and; (iii) the nominal value of the shares. The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which may be determined and notified by the Board to the grantee at the time of making an offer which shall not expire later than 10 years from the grant date.

As at 31 December 2011 and 2010, no options have been granted under the Share Option Scheme.

39. RETIREMENT BENEFITS SCHEME

The employees of the Group in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The PRC subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total cost charged to the consolidated statement of comprehensive income of approximately RMB16,533,000 (2010: approximately RMB12,618,000) represents contribution paid/payable to the schemes by the Group in respect of the current accounting period. As at 31 December 2011, contributions of RMB1,480,000 (2010: RMB250,000) as at 31 December 2011 have not been paid over to the schemes.

40. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and in notes 27 and 28, the Group had also entered into the following significant transactions with related parties during the year.

	2011 **RMB'000**	2010 RMB'000
Jointly controlled entities:		
Chengdu Yaxin		
– Purchase of goods	**544**	7,551
Wuhan Asia		
– Transportation expenses	**31,602**	25,335
Associate:		
Hubei Zhongjian		
– Sales of goods	**16,302**	837

40. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The remuneration of directors was as follows:

	2011 RMB'000	2010 RMB'000
Short-term employee benefits	7,033	7,077
Share-based payments	395	2,015
Retirement benefits scheme contributions	–	–
	7,428	9,092

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

41. GOVERNMENT GRANT INCOME

	2011 RMB'000	2010 RMB'000
Incentive subsidies *(note a)*	52,543	3,229
Value-added tax refund *(note b)*	20,143	13,533
Others *(note c)*	163	4
	72,849	16,766

Notes:

a. Incentive subsidies were granted by the relevant PRC authorities to certain of the Company's PRC subsidiaries for being the top ten taxpayers and achieved growth of revenue to certain standards. There were no other specific conditions attached to the grants and, therefore, the Group recognised the grants upon receipt.

b. Certain of the Company's PRC subsidiaries received refund of value-added tax from the relevant PRC tax authorities for purchasing reusable materials. It was granted if the total reusable materials consumed were more than 30% of the total materials cost of the products. There were no other specific conditions attached to the grants and, therefore, the Group recognised the grants upon receipt.

c. The amount includes certain incentives to attract foreign investment from the relevant PRC tax authorities in the form of profits tax refunds.

42. SUBSIDIARIES

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2011	2010	Principal activities
Perfect Industrial Holdings Pte., Ltd.	22 May 1997	British Virgin Islands	US$7,359,230	**100%**	100%	Investment holding
Oriental Industrial Holdings Pte., Ltd.	4 May 1994	Republic of Singapore ("Singapore")	US$497,262,651	**99.99%**	99.99%	Investment holding
Asia Continent Investment Holdings Pte., Ltd.	1 April 1995	Singapore	US$215,096,900	**99.99%**	99.99%	Investment holding
上海亞力水泥製品有限公司 Shanghai Yali Cement Products Co., Ltd. [2]	29 November 1995	PRC	US$15,000,000	**99.99%**	99.99%	Manufacture and sale of concrete
江西亞東水泥有限公司 Jiangxi Yadong Cement Corporation Ltd. [1]	9 October 1997	PRC	US$268,104,433	**94.99%**	94.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
武漢亞東水泥有限公司 Wuhan Yadong Cement Co., Ltd. [2]	29 November 1999	PRC	US$36,140,000	**99.99%**	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
江西亞利運輸有限公司 Jiangxi Yali Transport Co., Ltd. [1]	30 May 2000	PRC	RMB12,500,000	**97.39%**	97.39%	Provision of transportation services
上海亞福水泥製品有限公司 Shanghai Yafu Cement Products Co., Ltd. [1]	22 January 2003	PRC	RMB21,000,000	**99.99%**	99.99%	Manufacture and sale of concrete
亞東投資有限公司 Oriental Holding Co., Ltd. [2]	24 July 2003	PRC	US$76,907,000	**99.99%**	99.99%	Investment holding

42. SUBSIDIARIES (continued)

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2011	2010	Principal activities
南昌亞力水泥製品有限公司 Nanchang Yali Concrete Produce Ltd. [1]	9 December 2003	PRC	RMB60,000,000	**94.99%**	94.99%	Manufacture and sale of concrete
南昌亞東水泥有限公司 Nanchang Yadong Cement Co., Ltd. [1]	18 January 2004	PRC	RMB90,000,000	**72.49%**	72.49%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
湖北亞東水泥有限公司 Hubei Yadong Cement Co., Ltd. [2]	23 June 2005	PRC	US$154,800,000	**99.99%**	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川亞東水泥有限公司 Sichuan Yadong Cement Co., Ltd. [2]	29 November 2004	PRC	US$143,340,000	**99.99%**	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
成都亞力水泥製品有限公司 Chengdu Yali Cement Products Co., Ltd. [2]	10 December 2004	PRC	US$4,100,000	**99.99%**	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
黃岡亞東水泥有限公司 Huanggang Yadong Cement Co., Ltd. [1]	17 August 2006	PRC	US$66,170,000	**99.99%**	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
湖北亞利運輸有限公司 Hubei Yali Transport Co., Ltd. [2]	23 October 2006	PRC	RMB13,000,000	**99.99%**	99.99%	Provision of transportation services

42. SUBSIDIARIES (continued)

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2011	2010	Principal activities
四川亞利運輸有限公司 Sichuan Yali Transportation Co., Ltd. [2]	18 May 2006	PRC	US$3,500,000	**99.99%**	99.99%	Provision of transportation services
揚州亞東水泥有限公司 Yangzhou Yadong Cement Co., Ltd. [2]	31 July 2006	PRC	US$35,530,000	**99.99%**	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川亞力水泥製品有限公司 Sichuan Yali Cement Products Co., Ltd. [2]	17 November 2005	PRC	US$3,300,000	**99.99%**	99.99%	Manufacture and sale of concrete
武漢亞力水泥製品有限公司 Wuhan Yali Cement Products Co., Ltd. [2]	28 December 2010	PRC	RMB60,000,000	**99.99%**	99.99%	Manufacture and sale of concrete
武漢亞鑫水泥有限公司 Wuhan Yaxin Cement Co., Ltd. [2]	19 August 2003	PRC	RMB30,000,000	**69.99%**	69.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products

1. These companies were established in the PRC in the form of sino-foreign equity joint venture enterprise.

2. These companies were established in the PRC in the form of wholly foreign-owned enterprise.

43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2011 **RMB'000**	2010 RMB'000
Unlisted investments in subsidiaries	**5,624,187**	5,319,108
Amounts due from subsidiaries	**3,326,938**	2,432,385
Bank balances	**207,526**	6,178
Derivative asset	**–**	4,181
Other receivables	**6**	11
Total assets	**9,158,657**	7,761,863
Borrowings	**3,677,830**	2,029,857
Derivative liabilities	**7,772**	18,720
Other payables	**13,613**	5,671
Total liabilities	**3,699,215**	2,054,248
Net assets	**5,459,442**	5,707,615
Share capital *(note 35)*	**139,549**	139,549
Reserves	**5,319,893**	5,568,066
Total equity	**5,459,442**	5,707,615

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2007 RMB'000 *(Note)*	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011** **RMB'000**
Revenue	2,254,590	3,248,152	4,207,408	5,707,320	**8,206,833**
Profit before tax	347,175	467,007	696,290	643,285	**1,742,141**
Income tax expense	(39,878)	(28,606)	(81,004)	(115,555)	**(352,746)**
Profit for the year	307,297	438,401	615,286	527,730	**1,389,395**
Attributable to:					
Owners of the Company	246,200	410,717	609,966	510,873	**1,340,836**
Non-controlling interests	61,097	27,684	5,320	16,857	**48,559**
	307,297	438,401	615,286	527,730	**1,389,395**

ASSETS AND LIABILITIES

	At 31 December				
	2007 RMB'000 *(Note)*	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011** **RMB'000**
Total assets	7,129,547	10,950,060	12,659,536	14,499,900	**16,122,366**
Total liabilities	2,846,584	4,359,046	5,592,445	7,010,111	**7,398,733**
	4,282,963	6,591,014	7,067,091	7,489,789	**8,723,633**
Equity attributable to:					
Owners of the Company	3,843,685	6,471,621	6,934,158	7,293,933	**8,473,035**
Non-controlling interests	439,278	119,393	132,933	195,856	**250,598**
	4,282,963	6,591,014	7,067,091	7,489,789	**8,723,633**

Note: The figures for the year ended 31 December 2007 have been extracted from the prospectus of the Company dated 5 May 2008.