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**Asia Cement (China) Holdings Corporation**  
*(incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 743)**

**2010 Interim Results Announcement**

**HIGHLIGHTS OF THE SIX MONTHS ENDED 30 JUNE 2010**

Revenue increased by 15% to approximately RMB2,274.5 million (2009: approximately RMB1,974.2 million)

Profit attributable to owners of the Company decreased by 57% to approximately RMB140.2 million (2009: approximately RMB323.9 million). The adjustment in profit attributable to owners of the Company was mainly attributable to (i) the influx of cement from other regions into Sichuan Province and increase in local production capacity further pressurized the sales of manufacturers in Sichuan Province and caused the cement price to significantly drop since mid-2009; (ii) owing to climatic factors, the demand for cement decreased, leading to a decline in cement price in the markets where the Group had presence; and (iii) the coal price remained high in the reporting period.

Basic earning per share amounted to RMB0.090 (2009: RMB0.208), representing a decrease of approximately 57%.

Following the commencement of operation of No.3 new dry process rotary kiln at Sichuan Yadong Plant in March 2010, and No.1 new dry process rotary kiln at Huanggang Yadong Plant and No.4 new dry process rotary kiln at Jiangxi Yadong Plant in May 2010, the rated capacity of clinker of the Group have increased to 12,420,000 tonnes per year (with actual clinker production capacity reaching 14,850,000 tonnes per year).

## Interim Results

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

## Condensed Consolidated Statement of Comprehensive Income

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

## Condensed Consolidated Statement of Financial Position

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

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

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

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

### 1. General Information

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

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

### 2. Basis of Preparation

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

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

### 3. Principal Accounting Policies

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

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

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

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

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

### 4. Segment Information

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

For management purpose, the Group has two segments:

1. Cement business; and
2. Concrete business.

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

Segment information about these businesses is presented below:

#### Six months ended 30 June 2010

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

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

### 4. Segment Information (continued)

Six months ended 30 June 2009

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

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

### 5. Other Expenses and Losses

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

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

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

### 6. Income Tax Expense

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

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

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

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

### 7. Profit for the Period

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

### 8. Dividend

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

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

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

### 9. Earnings per Share

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

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

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

### 10. Property, Plant and Equipment

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

### 11. Quarry

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

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

### 12. Prepaid Lease Payments

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

Analysed for reporting purposes as:

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

### 13. Trade and Other Receivables

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

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

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

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

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

### 14. Restricted Bank Deposits

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

### 15. Trade and Other Payables

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

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

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

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

### 16. Bank Borrowing

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

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

### 17. Share Capital

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

### 18. Commitments

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

### 19. Related Party Transactions

|                              | <b>Six months ended 30 June<br/>2010<br/>RMB'000<br/>(unaudited)</b> | 2009<br>RMB'000<br>(unaudited) |
|------------------------------|--|--------------------------------|
| Jointed controlled entities: |  |                                |
| Purchase of goods            | <b>5,315</b>   | 2,711                          |
| Transportation expenses      | <b>9,146</b>   | 8,525                          |

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

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

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

# Management Discussion and Analysis

## Business and Financial Review

The Board is pleased to announce the Group's unaudited interim results for the six months ended 30 June 2010. During the period under review, the Group has maintained its leading position in the market. While achieving a 100% production-sales ratio, the Group's production capacity and market coverage continued to increase. With various transportation, new rural development and infrastructure projects launched in Sichuan and Central Yangtze River Regions, the Group continued the growth momentum in sales and achieved satisfactory results for the six months ended 30 June 2010.

During the period under review, the positive momentum from 2009 continued, with significant recovery of the global economy, together with the PRC government's investment in infrastructure projects. Despite the impact on the development of certain housing projects from the austerity measures taken against the real estate market, related cement demand was offset by the construction of low-rental housing and the development of rural markets pushed by the government. Cement sales of the Group reached 8.0 million tonnes in the first half of 2010, representing an increase of 34% over the same period of 2009, mainly attributable to the increase in the Group's rated clinker production capacity to 12,420,000 tonnes per year (with actual clinker production capacity reaching 14,850,000 tonnes per year) following the commencement of operation of No.3 new dry process rotary kiln at Sichuan Yadong Plant in March 2010, and No.1 new dry process rotary kiln at Huanggang Yadong Plant and No.4 new dry process rotary kiln at Jiangxi Yadong Plant in May 2010. In addition, the Group successfully acquired Wuhan Xinlingyun Cement (with a production capacity of 1,500,000 tonnes per year) in May 2010, thus further enhanced its production capacity.

## Revenue

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

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

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

## Business and Financial Review (continued)

### Revenue (continued)

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

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

### Cost of Sales and Gross Profit

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

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

### Other Income

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

### Other Expenses and Losses

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

### Distribution and Selling Expenses, Administrative Expenses and Finance Costs

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

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

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

## Business and Financial Review (continued)

### Profit for the Period

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

### Financial Resources and Liquidity

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

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

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

### Bank Borrowings

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

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

### Capital Expenditure and Capital Commitments

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

### Pledge of Assets

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

### Contingent Liabilities

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

## **Business and Financial Review (continued)**

### **Human Resources**

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

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

### **Material Acquisitions and Disposals**

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

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

### **Foreign Exchange Risk Management**

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

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

### **Prospects**

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

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

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

## **Corporate Governance**

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

## **Audit Committee**

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

## **Purchase, Sale Or Redemption of Listed Securities**

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

## **Appreciation**

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

## **Publication of Interim Report on the Websites of the Stock Exchange and the Company**

The Company's Interim Report 2010 for the six months ended 30 June 2010 will be published on the websites of the Stock Exchange of Hong Kong Limited ("Stock Exchange") ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.achc.com.cn](http://www.achc.com.cn)) in due course.

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

Hong Kong, 12 August 2010

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