Asia Cement (China) Holdings Corporation

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 743)

2009 Annual Results Announcement

2009 ANNUAL RESULTS HIGHLIGHTS

- Revenue increased by 30% to approximately RMB4,207.4 million for the year ended 31 December 2009 (2008: approximately RMB3,248.2).
- Profit attributable to owners grew by 49% to approximately RMB610.0 million (2008: approximately RMB410.7).
- Basic earning per share amounted to RMB0.39 (2008: RMB0.30), representing an increase of approximately 30%.
- The Board proposed a final dividend of RMB0.10 per share, representing a payout ratio of 26%.
- Following No. 1 rotary kiln at Hubei Yadong Plant in Central Yangtze River Region commenced its production on 10 March 2009, the total rated capacity of clinker and production capacity of cement products of the Group have increased to 8,300,000 tonnes and 12,000,000 tonnes respectively.

THE FINANCIAL STATEMENTS

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 audited consolidated results of the Group for the year ended 31 December 2009, together with the comparative figures for 2008 as follows:

Consolidated Statement of Comprehensive Income

	NOTES	**2009** **RMB'000**	2008 *RMB'000*
Revenue	*3*	**4,207,408**	3,248,152
Cost of sales		**(2,994,271)**	(2,340,149)
Gross profit		**1,213,137**	908,003
Other income	*4*	**102,425**	116,075
Other expenses and losses	*5*	**(61,534)**	(54,471)
Distribution and selling expenses		**(229,209)**	(196,188)
Administrative expenses		**(184,110)**	(151,641)
Changes in fair value of derivative financial instrument		**130**	–
Share of profit of jointly controlled entities		**949**	2,088
Finance costs		**(145,498)**	(156,859)
Profit before tax		**696,290**	467,007
Income tax expense	*6*	**(81,004)**	(28,606)
Profit for the year	*7*	**615,286**	438,401
Other comprehensive loss:			
Available-for-sale financial assets		**–**	(1,689)
Total comprehensive income for the year		**615,286**	436,712
Profit for the year attributable to:			
Owners of the Company		**609,966**	410,717
Minority interests		**5,320**	27,684
		615,286	438,401
Total comprehensive income for the year attributable to:			
Owners of the Company		**609,966**	409,028
Minority interests		**5,320**	27,684
		615,286	436,712
Dividend – Proposed final	*8*	**155,625**	155,625
		RMB	*RMB*
Earnings per share	*9*		
Basic		**0.39**	0.30
Diluted		**0.39**	0.30

Consolidated Statement of Financial Position
At 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**8,844,152**	6,908,257
Quarry		**140,661**	71,434
Prepaid lease payments		**392,470**	284,758
Interests in jointly controlled entities		**46,026**	30,275
Deposits paid for land use rights		**101,143**	185,268
Deposits paid for mining right		**24,642**	–
Deferred tax assets		**14,029**	10,637
Long term receivables		**56,152**	53,070
		9,619,275	7,543,699
CURRENT ASSETS			
Inventories	*10*	**483,989**	415,485
Long term receivables – due within one year		**11,030**	6,140
Trade and other receivables	*11*	**1,115,751**	767,070
Tax recoverable		**5,836**	8,519
Prepaid lease payments		**9,919**	7,939
Amount due from a related company		**–**	37
Derivative financial instrument		**130**	–
Restricted bank deposits		**82,340**	102,943
Time deposits		**–**	20,000
Bank balances and cash		**1,331,266**	2,078,228
		3,040,261	3,406,361
CURRENT LIABILITIES			
Trade and other payables	*12*	**673,771**	525,414
Amounts due to related companies		**6,111**	7,487
Tax payables		**25,768**	4,747
Bank borrowings – due within one year		**947,155**	1,309,722
		1,652,805	1,847,370
NET CURRENT ASSETS		**1,387,456**	1,558,991
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,006,731**	9,102,690
NON-CURRENT LIABILITIES			
Other payables	*12*	**18,000**	–
Bank borrowings – due after one year		**3,911,519**	2,503,898
Deferred tax liabilities		**10,121**	7,778
		3,939,640	2,511,676
NET ASSETS		**7,067,091**	6,591,014
CAPITAL AND RESERVES			
Share capital	*13*	**139,549**	139,549
Reserves		**6,794,609**	6,332,072
Equity attributable to owners of the Company		**6,934,158**	6,471,621
Minority interests		**132,933**	119,393
TOTAL EQUITY		**7,067,091**	6,591,014

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2009

1. GENERAL INFORMATION

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. BASIS OF PREPARATION

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

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

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

Except as described below, that affecting presentation and disclosure only, the adoption of the new and revised IFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

IAS 1 (Revised 2007) Presentation of Financial Statements

IAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

Improving Disclosures about Financial Instruments
(Amendments to IFRS 7 Financial Instruments: Disclosures)

The amendments to IFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early adopted the following new and revised Standards, Amendments to Standards or Interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs May 2008[1]
IFRSs (Amendments)	Improvements to IFRSs April 2009[2]
IAS 24 (Revised)	Related Party Disclosures[6]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Rights Issues[4]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[5]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 9	Financial Instruments[7]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

The application of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments to Standards or Interpretations will have no material impact on the consolidated financial statements.

3. REVENUE

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

	2009 *RMB'000*	2008 *RMB'000*
Sales of cement products and related products	**3,769,998**	2,889,662
Sales of concrete	**437,410**	358,490
	4,207,408	3,248,152

4. OTHER INCOME

	2009 *RMB'000*	2008 *RMB'000*
Government grant	**51,240**	20,375
Transportation fee income	**18,964**	11,125
Interest income on bank deposits	**15,923**	46,654
Sales of scrap materials	**8,029**	12,098
Rental income, net of outgoings	**3,470**	657
Imputed interest income on long term receivables	**745**	810
Gain on disposal of available-for-sale investments	**502**	4,840
Investment incentives from the PRC government	**–**	15,798
Gain on disposal of property, plant and equipment	**–**	152
Others	**3,552**	3,566
	102,425	116,075

5. OTHER EXPENSES AND LOSSES

	2009 *RMB'000*	2008 *RMB'000*
Donations	**28,365**	–
Allowance for doubtful debts, net	**25,122**	8,593
Exchange loss, net	**4,765**	31,497
Fair value adjustment on long term receivables	**3,282**	–
Listing expenses	**–**	14,381
	61,534	54,471

6. INCOME TAX EXPENSE

	2009	2008
	RMB'000	*RMB'000*
The tax expense comprises:		
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**77,868**	29,204
– Other jurisdictions	**5**	153
	77,873	29,357
Withholding tax paid	**4,910**	–
Overprovision in prior years	**(730)**	(1,493)
Deferred tax	**(1,049)**	742
	81,004	28,606

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 18%, 20%, 22%, 24% and 25% for the years ended/ending 31 December 2008, 2009, 2010, 2011 and 2012 respectively, and from 24% to 25% directly from 1 January 2008. Further, the State Administration of Taxation and Minister of Finance jointly issued a circular of Caishui [2008] No. 21 to further clarify that, effective 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 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.

For the year ended 31 December 2009, the relevant tax rates for the Group's PRC subsidiaries ranged from 7.5% to 25% (2008: 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 and 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.

7. PROFIT FOR THE YEAR

	2009 *RMB'000*	2008 *RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**453,124**	329,113
– Prepaid lease payments	**9,722**	7,556
– Quarry	**4,215**	3,399
	467,061	340,068
Auditor's remuneration	**4,834**	6,609
Staff costs, including directors' remuneration		
Salaries and other benefits	**182,943**	150,113
Retirement benefits scheme contributions	**9,595**	7,692
Total staff costs	**192,538**	157,805
Loss on disposal of property, plant and equipment	**623**	–
Rental payments under operating leases	**13,543**	7,630

8. DIVIDENDS

	2009 *RMB'000*	2008 *RMB'000*
Dividend recognised as distributions during the year:		
2009 Final, paid – RMB10 cents per share (2008: nil)	**155,625**	–

A final dividend for the year ended 31 December 2009 of RMB0.10 per share amounting to approximately RMB155,625,000 has been proposed by the Board of Directors after the end of the reporting period. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

	2009	2008
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**609,966**	410,717

	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,556,250**	1,370,344
Effect of dilutive potential ordinary shares:		
– share options	**252**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,556,502**	1,370,344

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

10. INVENTORIES

	2009	2008
	RMB'000	*RMB'000*
Spare parts and ancillary materials	**251,672**	182,691
Raw materials	**173,974**	177,458
Work-in-progress	**25,986**	25,018
Finished goods	**32,357**	30,318
	483,989	415,485

11. TRADE AND OTHER RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**465,661**	339,272
Less: accumulated allowance	**(49,783)**	(24,956)
	415,878	314,316
Bill receivables	**409,997**	308,076
Other receivables	**19,054**	25,286
Less: accumulated allowance	**(2,332)**	(2,373)
	16,722	22,913
	842,597	645,305
Advances to suppliers	**123,027**	80,642
Deposits	**33,158**	4,325
Prepayments	**2,623**	2,060
Value-added tax receivable	**114,346**	34,738
	1,115,751	767,070

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 the buyers, which on average is about 180 to 365 days.

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

	2009	2008
	RMB'000	*RMB'000*
0–90 days	**534,543**	435,525
91–180 days	**211,106**	125,051
181–365 days	**72,509**	53,514
Over 365 days	**7,717**	8,302
	825,875	622,392

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.

12. TRADE AND OTHER PAYABLES

	2009	2008
	RMB'000	*RMB'000*
Trade payables	**144,838**	147,919
Bills payables	**22,581**	6,618
Accruals	**70,754**	51,981
Deposits	**86,896**	70,480
Value added tax payable	**7,000**	21,167
Construction cost payable	**267,217**	172,498
Other payables	**92,485**	54,751
	691,771	525,414
Analysed for reporting purposes as:		
Non-current liabilities	**18,000**	–
Current liabilities	**673,771**	525,414
	691,771	525,414

The following is an aged analysis of trade and bill payables presented based on the invoice date at the end of the reporting period:

	2009	2008
	RMB'000	*RMB'000*
0 – 90 days	**117,338**	150,232
91 – 180 days	**29,246**	586
181 – 365 days	**16,094**	1,852
Over 365 days	**4,741**	1,867
	167,419	154,537

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.

13. SHARE CAPITAL

	Number of shares	Amount HK$'000	Shown in the financial statements as RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2008	3,800,000	380	
Increase on 27 April 2008	9,996,200,000	999,620	
At 31 December 2008, 1 January 2009 and 31 December 2009	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2008	19,946	2	2
Capitalisation issue	1,124,978,308	112,498	101,016
Issue of shares on 12 March 2008	1,746	–	–
Issue of shares on 20 May 2008	375,000,000	37,500	33,548
Issue of shares on 11 June 2008	56,250,000	5,625	4,983
At 31 December 2008, 1 January 2009 and 31 December 2009	1,556,250,000	155,625	139,549

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Against the backdrop of a worldwide economic depression, the introduction of a series of policies in the PRC to "ensure growth, expand domestic demand, adjust industry structure and benefit people's livelihood" had brought new opportunities for the recovery of the cement industry. Particularly during the second half of the year, the State's RMB4 trillion investment plan gradually boosted domestic demand. There had been significant surge in cement demand driven by key infrastructure projects such as railways, highways and airports, projects to improve people's livelihood in rural areas and rural infrastructure projects. Simultaneously, factors like relaxed monetary policies and inflation expectation had caused the real estate industry to boom, which in turn boosted cement demand. During 2009, cement consumption exceeded 1.6 billion tonnes, representing more than 15% increase from 1.39 billion tonnes in 2008.

According to the statistics from the relevant authorities of the PRC, upon completion of the production lines currently under construction and those approved but yet to commence construction, cement production capacity will reach 2.7 billion tonnes. However, the 1.6 billion tonnes market demand reflects the indisputable facts that there have been irrational expansion, duplicated development and excessive production capacity in the cement industry, which not only led to intensified competition, but also cement prices remaining at a lower level, making it difficult for enterprises to achieve higher efficiency. In light of this, the State Council issued Guo Fa [2009] No. 38 which put forward the policies on controlling excessive production capacity and duplicated development in six industries, including the cement industry. The policies aim to lead the cement industry to healthy development through a series of measures, including stringent control over new cement projects, accelerating the elimination of obsolete capacity and raising the market entry barriers.

As a major large-scale cement enterprise in the Central Yangtze River region and the southwest region of the PRC (i.e. Chengdu), the Group is an exemplar of high quality cement supplier in areas such as Wuhan, Jiujiang, Nanchang, Yangzhou and Chengdu, with sales spanning various regions such as Jiangxi, Hubei, Sichuan, Yangzhou, Shanghai, etc. Due to the strategic site planning for production bases and market network, as well as expanded production capacity in Sichuan, Hubei and Yangzhou, the Group achieved significant growth in production, sales and profitability of cement, clinker and ready-mixed concrete ("RMC") in 2009 as compared to those of 2008.

Sichuan Region

The continuous post-earthquakes infrastructure development and reconstruction efforts had driven strong market demand. However, manufacturers in Sichuan saw their sales gradually being pressurized by the financial tsunami and the influx of cement from other regions (Anhui, Hubei and Chongqing, etc) into Sichuan during the first three quarters, as well as by the new production capacity added by local manufacturers. Cement prices began to drop significantly in the second quarter. But benefiting from the national policies to boost domestic demand, the property market in Chengdu revived since the fourth quarter, leading to a gradual recovery in the cement industry and a distinct rebound in cement prices. After more than three years in operation in the cement market of Chengdu, the "洋房" brand cement of Sichuan Yadong Plant has solidified its position as a first-class brand name, gaining recognition from customers for its quality, after-sales services and operational strategies. The "洋房" brand cement is extensively used in key construction projects in Chengdu, including the airport, power stations, expressways, express railways, large-scaled property projects and batching plants. The Group's Sichuan Yadong Plant has a rated clinker production capacity of 2,772,000 tonnes. Its capacity utilization rate reached 122% in 2009, making a positive contribution to the Group. The plant reported a significant increase in production, sales and profitability in 2009 from those of 2008. The construction of the No. 3 new dry process rotary kiln is progressing at full steam and is expected to complete and commence production in the first quarter of 2010. By then, the rated clinker production capacity will further increase by 1,386,000 tonnes per annum.

Central Yangtze River Region

Through its continuous expansion in operation, the Group has garnered recognition from key projects in Wuhan, i.e. express railways, commodity concrete stations and piping plants. In the rural market of eastern Hubei, the comprehensive sales network and strategic planning had led to high penetration of neighbouring markets as well as market coverage extended to Henan Xinyang region. In addition, the market shares in Jiujiang and Nanchang had also continued to increase. In 2009, the property market in the region slowed down. Both demand and prices decreased due to seasonal and climatic factors during the first half of the year.

However, in the second half of the year, owing to stable weather conditions, a large number of infrastructure projects commenced, boosting cement consumption, and prices rebounded. The Group has been contracted to supply cement to various key construction projects including Hanyi Railway, Shiwu Railway Line, Da Guang South Expressway, Nanchang Changbei Airport, Jiujiang Yangtze River Bridge No. 2, Changfeng Expressway, Jiurui Expressway and Hangrui Expressway, with orders of over 3,000,000 tonnes in total, to be delivered in 2010.

Yangtze River Delta Region

The major markets of the Group in the Yangtze River Delta Region include Yangzhou, Shanghai and Zhejiang. Upon full operation of all of the three cement grinding facilities in Yangzhou Yadong Plant at the end of 2008, their production capacity was fully leveraged and generated output and sale of cement of over 1,800,000 tonnes in 2009. Given its highly-recognised product quality and services, Yangzhou Yadong Plant has been contracted to supply cement and commodity concrete for the construction of pre-fabricated housing in the economic development region of Yangzhou. This evidenced wide market recognition of Yangzhou Yadong Plant's products. Since the cement markets in Shanghai and Zhejiang are highly developed, the cement prices and profit margins are relatively lower than other markets of the Group. In light of this, the Group only supplied cement to these areas for optimisation of its capacity. Yet since the fourth quarter, the prices in these two areas have rebounded.

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 2009, the Group's revenue amounted to RMB4,207.4 million, representing an increase of RMB959.2 million or 30% over that of RMB3,248.2 million for 2008. The increase in revenue was mainly attributable to an overall increase in total production output as a result of increased market demand and the full operation of No. 2 new dry process rotary kiln at Sichuan Yadong Plant and No. 1 new dry process rotary kiln at Hubei Yadong Plant which commenced operation in December 2008 and March 2009 respectively.

	2009		2008	
Region	***RMB'000***	*%*	*RMB'000*	*%*
Sichuan	**1,606,844**	**38**	1,142,678	35
Central Yangtze River	**1,923,192**	**46**	1,612,835	50
Yangtze River Delta and Others	**677,372**	**16**	492,639	15
Total	**4,207,408**	**100**	3,248,152	100

In respect of revenue contribution for 2009, sales of cement products accounted for 87% (2008: 87%) and sales of concrete accounted for 10% (2008: 11%). The table below shows the sales breakdown by product during the reporting period:

	2009		2008	
	RMB'000	*%*	*RMB'000*	*%*
Cement Products	**3,642,033**	**87**	2,823,867	87
Clinker	**63,640**	**1**	4,652	0
RMC	**437,410**	**10**	358,490	11
Blast-furnace slag powder	**64,325**	**2**	61,143	2
Total	**4,207,408**	**100**	3,248,152	100

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

	2009	2008
	'000 units	*'000 units*
Cement Products	**13,686**	9,870
Clinker	**375**	23
RMC	**1,555**	1,322
Blast-furnace slag powder	**376**	359

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

Based on the sales revenue and sales volume as set out above, the average selling price of cement products was RMB266 per tonne in 2009 (2008: RMB286 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 amortization and other overhead costs. In 2009, the Group's cost of sales increased by 28% to RMB2,994.3 million from RMB2,340.1 million for 2008 due to the expansion of overall business of the Group.

The gross profit for 2009 was RMB1,213.1 million, representing a gross profit margin of 29% on revenue and a significant improvement on the gross profit of RMB908.0 million in 2008. The significant improvement in gross profit reflected the fact that the increase in the economies of scale achieved.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income, sales of scrap materials, investment incentives from the PRC government and gain on disposal of property, plant and equipment. In 2009, other income amounted to RMB102.4 million, representing a decrease of RMB13.7 million or 12% over that of RMB116.1 million in 2008. The decrease in other income was attributable to the decrease in interest income on bank deposits during the year under review.

Other Expenses and Losses

Other expenses and losses mainly comprise donations, exchange loss, listing expenses and allowance of doubtful debts. For 2009, other expenses and losses amounted to RMB61.5 million, representing an increase of RMB7.0 million or 13% over that of RMB54.5 million for 2008. The increase in other expenses and losses was mainly attributable to (i) the increase in donations and (ii) the increase in allowance for doubtful debts.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2009, the distribution and selling expenses amounted to RMB229.2 million, representing an increase of RMB33.0 million or 17% over that of RMB196.2 million for 2008. The increase in distribution costs was attributable to the increase in sales activities in 2009.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses increased by 21%, from RMB151.6 million to RMB184.1 million. 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 7% decrease in finance costs was mainly due to the decrease in interest rate of bank loans.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2009 increased by RMB229.3 million, or 49%, to RMB696.3 million from RMB467.0 million for 2008.

Income Tax Expenses

In 2009, income tax expenses increased by RMB52.4 million, or 183%, to RMB81.0 million from RMB28.6 million for 2008. The effective tax rate of the Group increased from 6.1% for 2008 to 11.6% for 2009, primarily attributable to the increase in profit contribution by Sichuan Yadong which started to enjoy the first year of 50% reduction on Foreign Enterprise Income Tax ("FEIT") in 2009, while Sichuan Yadong enjoyed the second year of its tax exemption period in 2008.

Minority Interests

In 2009, minority interests amounted to RMB5.3 million, representing a decrease of RMB22.4 million, or 81%, from RMB27.7 million for 2008 primarily due to the acquisition by the Group of minority interests in Sichuan Yadong in 2008.

Profit for the Year

For 2009, the net profit of the Group amounted to RMB615.3 million, representing an increase of RMB176.9 million or 40% over that of RMB438.4 million for 2008, while the net profit margin maintained at 15%.

Liquidity and Financial Resources

The Group maintained a strong financial and liquidity position for year ended 31 December 2009. Total assets increased by 16% to approximately RMB12,659.5 million (2008: approximately RMB10,950.1 million) while total equity grew by 7% to approximately RMB7,067.1 million (2008: approximately RMB6,591.0 million).

Restricted Bank Deposits, Time Deposits, Bank Balances and Cash

As at 31 December 2009, the Group's restricted bank deposits, time deposits, bank balances and cash amounted to approximately RMB1,413.6 million (2008: RMB2,201.2 million) of which 65% was denominated in RMB and 33% in United States dollars, with the remainder mainly denominated in Hong Kong dollars and Euros.

Capital Expenditure

Capital expenditure for the year ended 31 December 2009 amounted to approximately RMB2,585.8 million and capital commitments as at 31 December 2009 amounted to 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 proceeds from IPO, future operating revenue, bank borrowings and other sources of finance when appropriate.

Borrowings

	As at 31 December			
	2009	**%**	2008	%
	RMB'000		*RMB'000*	
Short-term borrowing	**947,155**	**19**	1,309,722	34
Long-term borrowing	**3,911,519**	**81**	2,503,898	66
Currency denomination				
— Renminbi	**3,801,645**	**78**	2,972,370	78
— US dollars	**1,018,640**	**21**	802,800	21
— Hong Kong dollars	**38,389**	**1**	38,450	1
Bank borrowings				
— secured	**—**	**—**	—	—
— unsecured	**4,858,674**	**100**	3,813,620	100
Interest rate structure				
— fixed rate	**463,220**	**10**	315,000	8
— variable-rate borrowings	**4,395,454**	**90**	3,498,620	92
Interest rate				
— fixed-rate borrowings	**1.70–5.31%**		5.58%–7.47%	
— variable-rate borrowings	**90% to 100% of the Benchmark Borrowing Rate of the PRC or LIBOR plus margin of 0.5% to 1%**		90% to 100% of the Benchmark Borrowing Rate of the PRC or LIBOR plus margin of 0.5% to 1%	

As at 31 December 2009, the Group had unutilized credit facilities in the amount of RMB4,533.0 million.

As at 31 December 2009, the Group's gearing ratio was approximately 44% (2008: 40%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2009 and 2008 respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as of 31 December 2009 other than restricted bank deposits of approximately RMB82.3 million.

Use of proceeds

As at 31 December 2009, approximately RMB1,304.4 million of the proceeds have been used and were applied in accordance with the proposed applications set forth in the Prospectus. The unutilized proceeds have been placed with licensed banks and financial institutions in Hong Kong and Taiwan as interest-bearing deposits.

Contingent Liabilities

As of the date of this announcement and as at 31 December 2009, the Board is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2009, the Group had 3,316 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Pre-IPO Share Option Scheme and the Share Option Scheme, where eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company in accordance with their past and potential contribution to the growth of the Group. As at 31 December 2009, about 11,578,000 share options were granted under the Pre-IPO Share Option Scheme and no share options have been exercised yet. Also, as at 31 December 2009, 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 material acquisition or disposal of subsidiaries or affiliated companies during the year under review.

Foreign Exchange Risk Management

The Group's sales and purchases during the reporting period were mostly denominated in Renminbi. However, some of the Group's bank borrowings and the proceeds raised through the initial public offering of the Company in May 2008 were denominated in foreign currencies.

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

The Group currently does not maintain a foreign currency hedging policy. During the year ended 31 December 2009, the Group has entered a foreign exchange forward contract with notional amount of approximately US$22,000,000 to hedge against its foreign currency exposure on a US dollars denominated bank borrowing with maturity date on 10 May 2010. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Future Prospects

In 2009, the global economy and financial market were still shaky after the financial tsunami in 2008. The economic performance of many developed countries remained unsatisfactory. Despite signs of improvement in various recovery indicators, it is expected that 2010 will still full of uncertainties, which will add uncertainty to the worldwide economic development.

Being the largest developing country, the PRC is undergoing rapid industrialization and urbanization. With decisive and effective measures taken by the government, together with the internal growth momentum accumulated over the years, the PRC economy achieved impressive performance in 2009. The growth momentum is expected to continue in 2010. According to the information published by the 2009 China's Central Economic Work Conference, concerns over government's tightened grip on the property market had eased. Following the revival of new housing construction in the fourth quarter of 2009, the impact of property investment on pushing cement demand is expected to intensify in the first half of 2010. In addition, the active yet prudent implementation of urbanization policies implies that urbanization progress may accelerate. This in turn calls for housing and corresponding infrastructure construction, which will also drive overall cement demand. With the acceleration of industrialization, urbanization and new rural development, demand for cement in 2010 will sustain a certain degree of growth. However, the increase in production capacity exceeds the organic growth in demand, which implies a challenging market environment for the cement industry. The Group will capture the opportunities arising from the consolidation of the cement industry, by expanding production capacity while adhering to its principles of maintaining high quality, environmental-friendly approach, high efficiency and low cost, strengthening its distribution network and improving operational efficiency, in order to further enhance competitive edge and market position.

The Group is currently expediting the construction of No. 3 new dry process rotary kiln at Sichuan Yadong Plant, No. 4 new dry process rotary kiln at Jiangxi Yadong Plant and No. 1 new dry process rotary kiln at Huanggang Yadong Plant, which are expected to commence operation at the end of the first quarter or the beginning of the second quarter of 2010. The No. 2 new dry process rotary kiln at Hubei Yadong Plant is scheduled to commence operation at the beginning of the fourth quarter of 2010. In 2010, the total rated clinker production capacity will be increased by 5,544,000 tonnes to 13.86 million tonnes, which could be used to produce more than 20 million tonnes of various cement products.

The Group will also commence construction of an environmental-friendly new dry process rotary kiln which is able to incinerate urban sludge in 2010. This kiln will not only minimize environmental pollution, but also bring additional revenue from municipal waste treatment to the Group. The Group will continue to conduct studies on using different kinds of refuse as raw material for production in the future, with an aim to fulfil its corporate social responsibility, while further reducing its costs and widening its revenue sources.

The policies promulgated by the State to restrain excessive production capacity of cement are expected to help the Group ease pressure from regional competition and enhance cost efficiency, while those policies on expediting the progress of eliminating obsolete capacity, replacing old production lines with an equivalent number of new lines, and raising the proportion of new dry processing will offer the Group the opportunities for making appropriate operation expansion in the regions where it has presence. This will help the Group increase both market shares and dominance in those regions. The Group will seize the opportunities from China's mid-west development strategies to expand its capacity in Chengdu, Sichuan and Wuhan, Hubei, and extend sales coverage to neighbouring markets. In the highly competitive cement market in Eastern China, the Group will capitalize on the new rural development policies in Nanchang and Jiujiang, Jiangxi to expand its market share while stabilising market prices and balancing the interest of other industry players. The Group strives to maximise its returns by maintaining a production and sales ratio of 100%. To do this, the Group will strengthen the cooperation among the four major regions in terms of production, sales, resources allocation and purchase, so that they complement and support each other.

The business opportunities in the PRC cement industry remain enormous in 2010, particularly those arising from the country's key infrastructure construction projects, such as terminal of Chengdu Shuangliu Airport, Yingwen Highway and Chengjian Highway in Sichuan region; Tianhe Airport, Yingwuzhou Yangtze Bridge, Jiangbei Expressway and Qiaokao Highway in Wuhan, Hubei region; Nanchang subway, Jiujiang Outer Ring Highway, Jiujing Railway in Jiangxi region; Suzhong Airport and Jiangliu Highway in Yangzhou region. The Group will actively engage in the provision of premium products and services, striving to continue contributing to the overall development of the State.

Looking ahead, with the PRC government policies to restrain excessive production capacity and duplicated development as well as to accelerate the elimination of obsolete capacity, it will not be long for successful restructuring, upgrading and more healthy development of the cement industry. In addition to capitalise on its existing strategic production bases to improve its operation results, the Group will prudently seek appropriate strategic partners to accelerate expansion of production capacity and market reach, in order to broaden its market share.

OTHER INFORMATION

Dividend

In acknowledging continuous support from the Group's shareholders, the Board recommends the payment of a final dividend of RMB0.10 per ordinary share in respect of the year ended 31 December 2009, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The dividend will be payable on 17 May 2010 to shareholders whose names appear on the Register of Member of the Company on 7 May 2010.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 30 April 2010 to Friday, 7 May 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 29 April 2010.

Corporate Governance

During the year ended 31 December 2009, the Company has compiled with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

Audit Committee

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

The audit committee has reviewed the accounting principles and practices adopted by the Group and has also reviewed auditing, internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2009, together with the management.

Model Code of Securities Transactions by Directors

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors (the "Code"). The Company, having made specific enquiry of all Directors, confirms that its Directors had compiled with the required standard set out in the Code throughout the year ended 31 December 2009.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the websites of the Stock Exchange of Hong Kong Limited ("Stock Exchange") (www.hkex.com.hk) and the Company (www.achc.com.cn). The annual report 2009 of the Company will be dispatched to shareholders and published on the aforesaid websites in due course.

Appreciation

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

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

Hong Kong, 17 March 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.