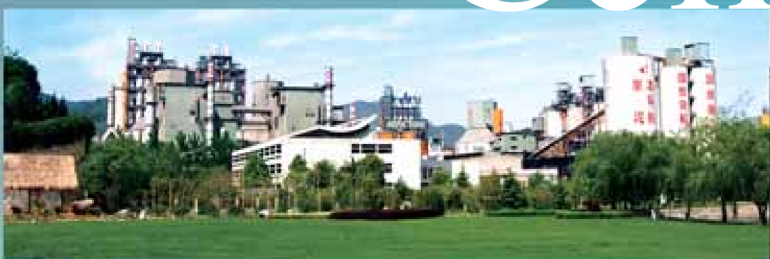
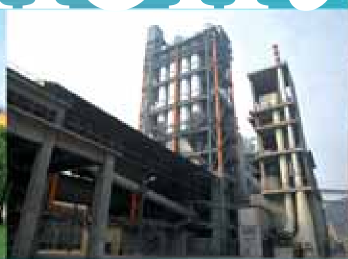
Asia Cement (China) Holdings Corporation
亞洲水泥（中國）控股公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 743

Asia Cement





Annual Report 2009

Asia Cement
(China) Holdings Corporation
AR 2009

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. HSU, Shu-tong *(Chairman)*

Independent non-executive Directors

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

COMPANY SECRETARY

Mr. LO Wai Kit, *ACCA, FCPA, CFA*

QUALIFIED ACCOUNTANT

Mr. LO Wai Kit, *ACCA, FCPA, CFA*

AUTHORIZED REPRESENTATIVES

Madam CHIANG SHAO, Ruey-huey
Mr. LO Wai Kit

MEMBERS OF AUDIT COMMITTEE

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

MEMBERS OF REMUNERATION COMMITTEE

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

MEMBERS OF INDEPENDENCE COMMITTEE

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

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 6 Yadong Avenue
Ma-Tou Town, Ruichang City
Jiangxi Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Portion of Unit B, 11th Floor
Lippo Leighton Tower
103 Leighton Road
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
Bank of China
Bank of Communications

COMPLIANCE ADVISER

CIMB Securities (HK) Limited
25/F Central Tower
28 Queen's Road Central
Central
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

STOCK CODE

743

COMPANY WEBSITE

www.achc.com.cn

CONTACT DETAILS

Phone: (852) 2839 3705
Fax: (852) 2577 8040

Financial Highlights

	Notes	2009 RMB'000	2008 RMB'000	% Change Increase/ (Decrease)
Revenue		**4,207,408**	3,248,152	30
Gross profit		**1,213,137**	908,003	34
Profit for the year		**615,286**	438,401	40
Profit attributable to owners of the Company		**609,966**	410,717	49
Gross profit margin		**29%**	28%	4
Net profit margin	*1*	**15%**	14%	7
Earning per share				
— Basic		**RMB0.39**	RMB0.30	30
— Diluted		**RMB0.39**	RMB0.30	30
Proposed final dividend per share		**RMB0.10**	RMB0.10	—
Total assets		**12,659,536**	10,950,060	16
Net assets		**7,067,091**	6,591,014	7
Liquidity and Gearing				
Current ratio	*2*	**1.84**	1.84	—
Quick ratio	*3*	**1.55**	1.62	(4)
Gearing ratio	*4*	**0.44**	0.40	10

Notes:

1. *Net profit margin is calculated as profit for the year divided by revenue.*
2. *Current ratio is calculated as current assets divided by current liabilities.*
3. *Quick ratio is calculated as current assets less inventories divided by current liabilities.*
4. *Gearing ratio is calculated as total liabilities divided by total assets.*

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting (the "AGM") of Asia Cement (China) Holdings Corporation (the "Company") will be held at Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Friday, 7 May 2010 at 3:00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the audited consolidated financial statements and the reports of the directors (the "Director(s)") of the Company and the auditors (the "Auditors") of the Company for the year ended 31 December 2009.

2. To approve and declare a final dividend for the year ended 31 December 2009.

3. To re-elect retiring Directors and to authorise the board of Directors (the "Board") to determine their remuneration.

4. To re-appoint Deloitte Touche Tohmatsu as the Auditors and to authorise the Board to fix their remuneration.

AS SPECIAL BUSINESS

To consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

5. "**THAT**:

   (i) subject to paragraph (iii) of this Resolution, and pursuant to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the exercise by the Directors during the Relevant Period (as hereinafter defined) on all the powers of the Company to allot, issue or otherwise deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers, be and the same is hereby generally and unconditionally approved;

   (ii) the approval in paragraph (i) of this Resolution shall authorise the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

   (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (i) of this Resolution, otherwise than by way of (a) a Rights Issue (as hereinafter defined); or (b) the exercise of or the grant of any option under any share option scheme of the Company or similar arrangement for the time being adopted for the issue or grant to officers and/or employees of the Company and/or any of its subsidiaries of shares or options to subscribe for or rights to acquire shares of the Company; or (c) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the articles of association of the Company in force from time to time, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval be limited accordingly; and

Notice of
Annual General Meeting

(iv) for the purpose of this Resolution:

(a) "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders in general meeting.

(b) "Rights Issue" means an offer of shares in the share capital of the Company or an offer or issue of warrants or options or similar instruments to subscribe for shares in the share capital of the Company open for a period fixed by the Directors to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares in the Company (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognized regulatory body or any stock exchange applicable to the Company).";

6. "**THAT**:

(i) subject to paragraph (ii) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares in the share capital of the Company on the Stock Exchange or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission of Hong Kong (the "SFC") and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the SFC, the Stock Exchange or of any other stock exchange as amended from time to time and all applicable laws in this regard, be and the same is hereby generally and unconditionally approved;

(ii) the aggregate nominal amount of issued shares of the Company which may be repurchased by the Company pursuant to the approval in paragraph (i) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly; and

(iii) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or

(c) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders in general meeting.";

7. “**THAT** conditional upon Resolutions No. 5 and No. 6 above being passed, the general mandate granted to the Directors to allot, issue or otherwise deal with additional shares pursuant to Resolution No. 5 be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 6.”

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

Hong Kong, 30 March 2010

Registered Office:
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman KY1-1111
Cayman Islands

Principal place of business in the PRC:
No. 6 Yadong Avenue
Ma-Tou Town, Ruichang City
Jiangxi Province, PRC

Principal Place of Business in Hong Kong:
Portion of Unit B
11th Floor
Lippo Leighton Tower
103 Leighton Road
Causeway Bay
Hong Kong

Notes:

(1) A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote on his/her/its behalf. A proxy need not be a member of the Company.

(2) In order to be valid, the proxy form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of such power or authority), must be delivered to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof.

(3) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) 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. All transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 29 April 2010.

(5) A circular containing, inter alia, details of the proposed general mandates to issue and repurchase shares of the Company and information of the retiring directors of the Company who are proposed to be re-elected at the annual general meeting, will be despatched to the shareholders of the Company on Tuesday, 30 March 2010.

(6) The Board recommends the payment of a final dividend of RMB0.10 per share for the year ended 31 December 2009, totalling RMB155.625 million. The dividend will be denominated and declared in Renminbi and will be paid in Hong Kong dollars. The relevant exchange rate will be the rate of Renminbi to Hong Kong dollars as announced by the People’s Bank of China on the date of declaration of dividends.

As at the date of this notice, 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.

To our shareholders,

On behalf of the Board of Directors of Asia Cement (China) Holdings Corporation (the "Company"), together with its subsidiaries (collectively "Asia Cement (China)" or the "Group"), I am pleased to present to our shareholders the annual report of the Group for the year ended 31 December 2009.

Chairman's Statement

Hsu Shu Tong *Chairman*

Chairman's Statement

In 2009, the global economic environment remained harsh. Despite the challenges posed by the severe global environment, the Chinese economy in general had been recovering, sustaining a GDP growth rate of 8.7% for the whole year. This was attributable to the government's swift and decisive stimulus measures to significantly increase construction of public infrastructures. The cement industry benefited from the growth in fixed assets investment and the gradual recovery of the property industry, which led to a strong growth in demand for cement.

Although the demand for cement in 2009 increased by more than 15% from that of 2008, the average price for the year was lower than that of 2008. This indicated an over-development in cement production capacity, which had suppressed the prices of cement to a certain extent. The Group's core market — Sichuan — had been affected by substantial increase in new production capacity. The overall revenue of the Group was affected by a significant decline in cement price.

Given the enormous room for growth in China's infrastructure market, cement consumption is expected to remain high for a relatively long period of time in the future. Despite the current issues of excessive production capacity and increasingly intense competition among the players, relevant government authorities have introduced a series of policies to curb excessive production capacity, accelerate the phasing-out of obsolete production capacity and promote industry consolidation, which will effectively address the problem of excessive production capacity in the cement industry, and help it move towards healthy and sustainable development.

The Group will adjust its operation objectives and strategies according to its own corporate development direction and new government policies on the industry. To this, the Group will build up new production capacity, while taking advantage of the government's move to consolidate the cement industry, to actively seek opportunities for merger and acquisition and strategic restructuring within and outside the regions in which the Group operates, in order to further expand production capacity and strengthen its regional market leadership. On the other hand, leveraging on the geographical advantage of its plants' proximity to urban regions, the Group will continue to expand its share in core markets such as Jiangxi, Sichuan and Hubei provinces, to solidify its dominant position in the major markets, and enhance corporate efficiency; the Group will also adjust its product mix and actively explore the rural markets in response to the government's measures to eliminate obsolete capacity. The Group will exercise stringent control of its production operations, as well as continue to fine-tune its corporate system and internal management so as to enhance its corporate governance, lower operating cost and increase efficiency.

APPRECIATION

Albeit the tough and complicated market environment, the Group continued to maintain rapid growth and achieve remarkable results, thanks to the concerted efforts and diligence of the management and staff. The Board would like to take this opportunity to express its sincere gratitude to the management of the Group and to all members of staff for their hard work throughout the year, and to its shareholders, business partners, bankers and auditors for their great support and trust. In 2010, under the leadership of the directors and the management, all members of the Group will continue to adhere to the corporate spirit of integrity, diligence, honesty, prudence and creativity and push themselves to excel. The management will prudently seize opportunities for development, and endeavour to maximize returns for shareholders through swift and effective formulation and implementation of development strategies as well as the operational objectives.

Hsu Shu Tong
Chairman

Hong Kong
17 March 2010

Looking back on 2009, it had been a milestone year for the Group since listing.

CEO's Review

Chang Tsai Hsiung *Chief Executive Officer*

CEO's Review

Benefiting from an enlarged production capacity, the Group achieved encouraging operating results, with 30% and 40% increases in revenue and net profit, respectively, as compared with 2008.

During the year under review, the operating and financial performance of the Group remained strong. Turnover of the Group was RMB4,207.4 million, representing an increase of RMB959.2 million or 30% as compared with 2008. In 2009, gross profit was RMB1,213.1 million, while gross profit margin was 29%. Net profit for the year was RMB615.3 million, up 40% as compared with 2008, and earnings per share was RMB0.39.

The Board proposes the payment of a final dividend of RMB0.10 per share for the year 2009, representing a payout ratio of 26%.

During the year, the Group focused on project construction, while dedicating itself to production operation. The inauguration of No. 2 new dry process rotary kiln at Sichuan Yadong Plant and No. 1 new dry process rotary kiln at Hubei Yadong Plant at the end of 2008 and in March 2009, respectively, had lifted the Group's clinker production capacity. Coupled with the commencement of production of five sets of cement mills in Yangzhou, Sichuan, Hubei and Huanggang, the Company's cement production capacity had been increased significantly. The annual cement output for the year increased by 39% from that of 2008.

According to the Group's development plan, the construction of No. 4 new dry process rotary kiln at Jiangxi Yadong Plant, No. 3 new dry process rotary kiln at Sichuan Yadong Plant and No. 1 new dry process rotary kiln at Huanggang Yadong Plant will be completed in March and April 2010, respectively, and No. 2 new dry process rotary kiln at Hubei Yadong Plant will also be completed at the end of 2010. By then, the rated production capacity of the Group will reach 13.8 million tonnes of clinker per annum (actual annual production of clinker can reach 16.5 million tonnes). Construction of the environmental friendly No. 3 new dry process rotary kiln at Hubei Yadong plant using mainly incinerated urban sludge as fuel may commence simultaneously.

With the addition of four production lines in 2010, three of which are located outside Sichuan province, the Group will not only seek significant increase in production capacity, but also further diversification in geographical coverage. As such, the Group's business performance will be less vulnerable to price fluctuations and changes in demand and supply of individual markets. The expansion in production capacity and market coverage will fuel the momentum of the Group's continuous growth and further penetration of its distribution network. Together with appropriate marketing strategies, the Group is set to sustain a strong performance in 2010.

Management Discussion and Analysis

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

Management Discussion and Analysis

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.

Region	2009 RMB'000	%	2008 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 RMB'000	%	2008 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 '000 units	2008 '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.

Management Discussion and Analysis

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.

Cash Flow

The Group derives its net cash inflow from operations primarily through the receipt of payments for the sale of its cement and concrete products. The Group's cash outflow from operations is used primarily for raw material purchases, payment for fuel and power, distribution costs, staff salaries and interest payments. Cash generated from operating activities increased from RMB660.6 million in 2008 to RMB878.9 million in 2009. This was mainly due to the expansion of business while the trade receivables balance was maintained at a healthy level.

The Group's cash inflow from investing activities primarily consists of interest income and proceeds from disposal of property, equipment, available-for-sale investments. The Group's cash outflow from investing activities primarily consists of acquisitions of available-for-sale investments, purchase of property, plant and equipment, land use rights and a quarry, and pre-paid lease payments. In 2009, the net cash used in investing activities of the Group amounted to RMB2,318.1 million, representing an increased of 5% from RMB2,201.2 million for 2008. The increase in cash flow by RMB116.9 million used in investing activities was primarily attributable to the cash used for the purchase of property, plant and equipment to expand the production capacities of the Group.

In 2009, the net cash generated from financing activities of the Group amounted to RMB692.3 million, representing a decrease of RMB2,306.3 million from 2008. This decrease was primarily attributable to net cash of RMB1,907.4 million raised through the Company's initial public offering ("IPO") in the second quarter of 2008.

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

The Group's bank borrowings as at 31 December 2008 and 2009 are summarized below:

	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.

Management Discussion and Analysis

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.

Corporate Governance Report

Corporate Governance Report

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

The Company has complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices (the "CG Code") as set forth in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange throughout the year ended 31 December 2009.

MODEL CODE FOR SECURITIES

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

BOARD OF DIRECTORS

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

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

Chairman and non-executive Director

Mr. HSU, Shu-tong

Executive Directors

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

Independent non-executive Directors

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

Biographical information of the Directors is set forth on pages 26 to 28 of this annual report.

Each of the executive Directors of the Company entered into a service contract with the Company for an initial term of three years commencing from the date of the Listing and may only be terminated in accordance with the provisions of the service contract after the first year of service of the Director by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to each of the non-executive Directors and Independent non-executive Directors of the Company for a term of three years commencing from the date of the Listing unless terminated by either party giving to the other not less than two months prior notice in writing.

Corporate Governance Report

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

NON-EXECUTIVE DIRECTORS AND RE-ELECTION

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

BOARD MEETINGS

The Board meets regularly in person or by means of electronic communication. The Board is planning to meet at least four times a year and six meetings were held in 2009. Regular board meetings are usually scheduled at the beginning of the year to give all directors adequate time to plan their schedules to attend. Directors receive at least 14 days' prior written notice of regular board meetings and an agenda. The Board paper, including supporting analysis and relevant background information, are normally sent to all Directors at least three days before the Board meeting. For other Board meetings, Directors are given as much notice as possible in the circumstances.

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

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

The table below sets out the details of Board meeting attendance of each Director in 2009.

Director	Number of Board meetings attended
Mr. HSU, Shu-tong	6/6
Mr. CHANG, Tsai-hsiung	6/6
Madam CHIANG SHAO, Ruey-huey	6/6
Mr. CHANG, Chuen-kuen	6/6
Mr. LIN, Seng-chang	6/6
Dr. WU, Chung-lih	6/6
Mr. LIU, Zhen-tao	5/6
Mr. LEI, Qian-zhi	5/6
Mr. TSIM, Tak-lung Dominic	6/6
Dr. WONG, Ying-ho Kennedy	6/6

AUDIT COMMITTEE

The primary responsibilities of the Audit Committee are,

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

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

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

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

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

The table below sets out the details of Audit Committee meeting attendance of each Director in 2009.

Director	Number of Audit Committee meetings attended
Mr. HSU, Shu-tong	4/4
Mr. TSIM, Tak-lung Dominic	4/4
Dr. WONG, Ying-ho Kennedy	4/4

REMUNERATION COMMITTEE

The primary responsibilities of the Remuneration Committee are,

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

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

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

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

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

One meeting was held in 2009 and all members attended the meeting.

A set of written terms of reference, which described the authority and duties of Remuneration Committee, was adopted by the Board on 27 April 2008 and the contents of which are in compliance with the Code Provisions of the CG Code. The said terms of reference of the Remuneration Committee adopted by the Board are available on the Company's website at www.achc.com.cn.

REMUNERATION OF DIRECTORS

The Company has adopted full disclosure of remunerations of Directors with disclosure by name, amount and type in note 15 to the financial statements.

INDEPENDENCE COMMITTEE

The primary responsibilities of the Independence Committee are,

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

— establishing, where applicable, guidelines for management to follow in its ongoing transactions between the Group, Asia Cement Group and Far Eastern Group;

— reviewing and assessing ongoing relationships between the Group, Asia Cement Group and Far Eastern Group to ensure compliance with the Committee's guidelines established as aforesaid and to ensure the continuation of such relationship remains fair to the Group; and

— analyzing and assessing any potential conflict of interests between the Group, Asia Cement Group and Far Eastern Group.

Corporate Governance Report

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

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

NOMINATION OF DIRECTORS

For the purpose of nomination of directors, as the Company finds it not necessary to establish a separate nomination committee, therefore the task of nomination of directors is vested with the Board of the Company. The Board reviews (i) the structure, size and composition (including the skills, knowledge and experience) of Board members on a regular basis and make recommendation regarding any proposed changes; (ii) identifies individuals suitably qualified to become board members; (iii) assesses the independence of independent non-executive directors; and (iv) makes recommendations on relevant matters relating to the appointment and reappointment of directors and succession planning for directors.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group and in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2009, the Directors have selected appropriate accounting policies and applied them consistently; made judgement and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner.

The statement by the external auditor of the Company regarding their reporting responsibilities of the financial statements of the Group is set forth in the Independent Auditors' Report on page 42 to 43 of this annual report.

EXTERNAL AUDITORS

The Group appointed Messrs. Deloitte Touche Tohmatsu as the Group's principal auditors. The acknowledgement of their responsibilities on the financial statements is set forth in the Independent Auditors' Report on page 42 to 43 of this annual report.

The remuneration paid to Messrs. Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2009 is as follows:

	2009 RMB'000
Audit services	**4,834**
Non-audit services	—
Total	**4,834**

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The Board, together with the Group's internal audit department and management conduct reviews of the effectiveness of the Company's system of internal control, including those of its subsidiaries. The Audit Committee reviews the findings and opinion of the Group's internal audit department and management on the effectiveness of the Company's system of internal control, and reports to the Board on such reviews. In respect of the year ended 31 December 2009, the Board considered the internal control system effective and adequate. No significant areas of concern which might affect shareholders were identified.

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

INVESTOR RELATIONS

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

Directors and Senior Management

DIRECTORS

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

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. HSU, Shu-tong (徐旭東), aged 68, is chairman of the Company. Mr. HSU's principal responsibilities involve formulating the overall business strategy of the Group in China. Mr. HSU is also chairman of Far Eastern New Century Corporation (formerly known as Far Eastern Textile Ltd.), U-Ming Marine Transport Corporation, Far Eastern Department Stores Ltd., Oriental Union Chemical Corporation, Far EasTone Telecommunications Co. Ltd. and Asia Cement Corporation, vice chairman of Far Eastern International Bank and director of Everest Textile Co. Ltd., which are listed in Taiwan. Mr. HSU joined Far Eastern Textile in 1967 and had served as its president from 1979 to 1994. Mr. HSU has more than 40 years of experience in managing businesses of the Far Eastern Group. Mr. HSU was awarded in 2005 as Taiwan's"Outstanding Entrepreneur of the Year"and Far Eastern Group was awarded for"Best Social Contributions"in 2007. Mr. HSU graduated in 1967 from the University of Notre Dame with a master degree and then studied economics at Columbia University Graduate School. Mr. HSU also received an honorary doctoral degree in management from the National Chiao Tung University Taiwan in 2002.

EXECUTIVE DIRECTORS

Mr. CHANG, Tsai-hsiung (張才雄), aged 85, is an executive Director and chief executive officer of the Group. Mr. CHANG's primary responsibilities include formulating and implementing the overall business strategy as well as planning and overseeing the entire operation of the Group in China. Mr. CHANG is also an executive director of Asia Cement Corporation, a company listed in Taiwan. Mr. Chang joined Asia Cement Group in 1963 and joined the Group in October 1997. Mr. CHANG has more than 40 years of experience in the cement industry in both Taiwan and the PRC.

Madam CHIANG SHAO, Ruey-huey (邵瑞蕙), aged 62, is the executive Director and chief financial officer of the Group. Madam SHAO has more than 40 years of experience in financial management, planning and information system management of cement business. Madam SHAO is also a director of China Hi-Ment Corporation and Far Eastern Department Stores Ltd and a supervisor of U-Ming Marine Transport Corporation, all of which are listed in Taiwan. Madam SHAO joined Asia Cement Group in 1970 and joined the Group in October 1997. Madam SHAO graduated from the Soochow University, Taiwan in 1970 with a bachelor degree in accountancy.

Mr. CHANG, Chen-kuen (張振崑), aged 62, is an executive Director, deputy chief executive officer and chief technical officer of the Group. Mr. CHANG is responsible for the production technology and research and development activities of the Group. Mr. CHANG has more than 40 years of experience in engineering and management in the cement industry. Mr. CHANG joined Asia Cement Group in 1968 and joined the Group in December 1997. Mr. CHANG graduated from Taipei Technical Institute majoring in mechanical engineering.

Mr. LIN, Seng-chang (林昇章), aged 66, is an executive Director, deputy chief executive officer and chief marketing officer of the Group. Mr. LIN is primarily responsible for formulating and implementing the sales and marketing strategy of the Group as well as overseeing its sales and marketing activities. Mr. LIN has more than 40 years of experience in sales and management in the cement industry. Mr. LIN joined Asia Cement Group in 1962 and joined the Group in October 1999. Mr. LIN graduated from National Taipei College of Business in October 1962.

Dr. WU, Chung-lih (吳中立), aged 60, is an executive Director, deputy chief executive officer, chief administrative officer and compliance officer of the Group, responsible for the general administration including but not limited to procurement and secretarial work. Dr. WU is also an independent non-executive director of Arima Optoelectronic Corporation which is a company listed in Taiwan. Dr. WU has extensive work experience in Taiwan and the United States. He was a senior official of the Taiwan central government for the period from 1989 to 2000, and had been a teaching and research fellow in the universities in Taiwan and the United States for 15 years, specializing in the areas of health economics, econometrics, public finance, economics of education and analysis of economic policy. Dr. WU joined the Eastern Multimedia Group in May 2000 and served as the chief executive officer and president of Eastern Multimedia Company from June 2001 to February 2005. Dr. WU joined the Group in August 2005. He holds a PhD degree in economics from the State University of New York at Albany.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU, Zhen-tao (劉震濤), aged 72, took office as an Independent non-executive Director of the Company in April 2008. Mr. LIU is also an independent non-executive director of Hanbell Precise Machinery Co. Ltd., a company listed in the PRC. Mr. LIU is a director of the Institute of Taiwan Studies of the Tsinghua University, China, a council member of Taiwan Affairs Office of the State Council, and vice-president of the China Industrial Overseas Development & Planning Association. Mr. LIU has had over 15 years of experience in teaching and research while serving as the deputy director of the Automatisation Department and the Technology Development of the Tsinghua University from September 1960 to June 1986. He then served as the deputy secretary of the Foreign Loans Bureau and the Department of Foreign Capital Utilization of the former State Planning Commission, currently known as the NDRC, from June 1986 to April 1989, and as the secretary of the Economy Bureau of the State Council's Taiwan Affairs Office and head of the Taiwan Affairs Office of the State Planning Commission from April 1989 to April 1998. From October 1998 to October 2003, Mr. LIU was the vice president of the Association for Relations across the Taiwan Strait. Mr. LIU graduated from the power mechanical engineering department of the Tsinghua University, China in July 1960.

Mr. LEI, Qian-zhi (雷前治), aged 68, took office as an Independent non-executive Director of the Company in April 2008. Mr. LEI is a professor engineer. He is the president of the China Cement Association Council and the vice-president of the China Building Material Industry Association Council. Mr. LEI has over 16 years of experience in engineering and cement enterprise management. He served as a technician, engineer, workshop head and factory director of Guizhou Shuicheng Cement Plant from January 1970 to April 1986. He also has over 22 years of experience in the administrative management of local and national governments relating to the building materials industry. Mr. LEI was the president of Guizhou Province Building Materials Bureau from March 1986 to January 1991, and he served as a deputy department manager of the National Building Materials Industry Bureau from January 1991 to February 2001. Mr. LEI was the vice president of China Building Material Industry Association from February 2001 to June 2004. Mr. LEI obtained a bachelor degree in Portland cement from Nanjing Chemistry Institution in 1968.

Mr. TSIM, Tak-lung Dominic (詹德隆), JP, aged 63, took office as an Independent non-executive Director of the Company in April 2008. Mr. TSIM is a director of **Playmates Holdings Limited and of the Greater China Fund, Inc. Mr. TSIM runs his own consultancy business which provides macro-level economic and political analysis to interested clients. Mr. TSIM has served two terms on the Central Policy Unit of the Hong Kong Government. Mr. TSIM graduated from the University of Hong Kong in 1968 with a bachelor of arts degree in English.

Directors and Senior Management

Dr. WONG, Ying-ho Kennedy (黃英豪), BBS, DCL, JP, aged 47, took office as an Independent non-executive Director of the Company in April 2008. Dr. WONG is a solicitor of the High Court of Hong Kong, China Appointed Attesting Officer and a director of the China Law Society. Dr. WONG is the Managing Partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. Dr. WONG is a National Committee Member of the Chinese People's Political Consultative Conference and vice chairman of the All China Youth Federation. Dr. WONG is the chairman of **Hong Kong Resources Holdings Company Limited, and also a director of Bohai Industrial Investment Fund Management Company Limited, **China Overseas Land & Investment Limited, **Goldlion Holdings Limited, **Great Wall Technology Company Limited, **Qin Jia Yuan Media Services Company Limited, Pacific Alliance Asia Opportunity Fund Limited, Pacific Alliance China Land Limited and Hong Kong Airlines Limited. Dr. Wong was the executive deputy chairman of **Raymond Industrial Ltd. and also a director of **Capinfo Company Limited, **Coastal Realty Group Limited, *Computime Group Limited, **Great Wall Cybertech Limited, **International Financial Network Holdings Ltd. and **i-Steel Asia Holdings Limited. Dr. WONG is also a member of the Election Committee of Hong Kong responsible for electing Hong Kong's Chief Executive. Dr. WONG has served on Hong Kong's legislature from 1996 to 1998 and was selected as one of the Ten Outstanding Young Persons of Hong Kong in 1998 and then one of the Ten Outstanding Young Persons of the World in 2003. Dr. WONG received an Honorary Degree of Doctor of Civil Laws from the University of Kent in July 2007.

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

SENIOR MANAGEMENT

Mr. FANG, Lu-hsing (方履興), aged 57, is the deputy chief administrative officer of the Group. Mr. FANG is primarily responsible for assisting the chief administrative officer to oversee the general administration of the Group. Mr. FANG has approximately 30 years' management experience in the cement industry. Mr. FANG graduated from the National Chung Hsing University majoring in accounting. Mr. FANG joined Asia Cement in May 1978 and joined the Group in December 1997.

Mr. WONG, Liang-shih (王亮石), aged 58, is the manager of the procurement department of the Group. Mr. WONG is primarily responsible for managing the procurement of the Group. Mr. WONG has approximately 30 years' management of procurement experience in the cement industry. Mr. WONG graduated from the Tamkang University majoring in English. Mr. WONG joined Asia Cement in August 1981 and joined the Group in December 1997.

Mr. WU, Chien-hua (吳建華), aged 54, is the manager of the accounting department of the Group. Mr. WU is primarily responsible for the accounting work of the Group. Mr. WU has approximately 30 years' accounting experience in the cement industry. Mr. WU graduated from the Soochow University majoring in accounting. Mr. WU joined Asia Cement in July 1981 and joined the Group in March 2005.

Mr. LIN, Chiang-hua (林江海), aged 50, is the manager of information technology department of the Group. Mr. LIN is primarily responsible for managing the maintenance and upgrading work of the information technology system of the Group. Mr. LIN has approximately 26 years' information technology working experience in the cement industry. Mr. LIN graduated from the Oriental Institute of Technology majoring in electronics. Mr. LIN joined Asia Cement in December 1984 and joined the Group in December 2004.

Mr. LEE, Shaw-shan (李紹先), aged 54, is the manager of the quality control and research and development department of the Group. Mr. LEE is primarily responsible for the production quality control and technology research and development work of the Group. Mr. LEE has approximately 30 years' engineering working experience in the cement industry. Mr. LEE graduated from the Tamkang University with a bachelor degree in chemistry engineering in 1977 and the Pennsylvania State University with a master degree in science in 1986. Mr. LEE joined Asia Cement in February 1981 and joined the Group in May 1998.

Mr. KAO, Ming-yu (高銘佑), aged 60, is the manager of mining operation department of the Group. Mr. KAO is primarily responsible for managing the operation of mines of the Group. Mr. KAO has approximately 36 years' mining experience in the cement industry. Mr. KAO graduated from the National Cheng Kung University with a bachelor degree in mining. Mr. KAO joined Asia Cement in August 1974 and joined the Group in December 1997.

Mr. LO, Wai-kit (盧偉傑), ACCA, FCPA, CFA, aged 36, is the company secretary, qualified accountant and one of the authorized representatives of the Company. He has over 14 years of experience in the field of accounting and auditing. Prior to joining the Company in December 2007, he served as vice president of finance and accounting of CIG Yangtze Ports PLC, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. LO is an associate member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst and hold a degree of Bachelor of Arts (Honours) in Accountancy from the City University of Hong Kong.

Directors' Report

The Directors are pleased to present their Annual Report, including the audited consolidated financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal business activities are manufacture and sales of cement, concrete and related products. The activities of the principal subsidiaries are set out on pages 97 to 99 of this Annual Report. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 44.

The Directors recommended the payment of a final dividend of RMB0.10 per ordinary share, totaling RMB155,625,000 in respect of the year to shareholders on the register of members on 7 May 2010. The proposed final dividend for the year ended 31 December 2009 has been approved at the Company's Board meeting on 17 March 2010. Details of the dividends for the year ended 31 December 2009 are set forth in note 16 to the financial statements.

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 entitlement of proposed 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 Services Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 29 April 2010.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING ("IPO")

The proceeds from the Company's issue of new shares at the time of its listing on the Main Board of the Stock Exchange in May 2008 and exercise of over-allotment option in June 2008, after the deduction of related issuance expenses, amounted to approximately HK$2,049.83 million. These proceeds were applied up to 31 December 2009 with the proposed applications set out in the Prospectus, as follows:

— Approximately RMB809.6 million was used for the expansion of production facilities.

— Approximately RMB494.8 million was used for additional working capital and repayment of bank loans.

— Approximately RMB546.1 million remains unused, which is deposited in the bank account of the Company.

The unutilized proceeds have been place with licensed banks and financial institutions in Hong Kong, Taiwan and PRC as interest-bearing deposits.

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2009, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB3,508.2 million. The amount of approximately RMB3,508.2 million includes the Company's share premium account of approximately RMB3,369.9 million and accumulated profits of approximately RMB138.3 million in aggregate as at 31 December 2009, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB28.4 million.

PROPERTY, PLANT AND EQUIPMENT

Details of movement of property, plant and equipment of the Group, during the year are set out in note 18 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year are set forth in notes 31 and 35 to the financial statements, respectively.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

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

MAJOR CUSTOMERS AND SUPPLIERS

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

— Aggregate purchase attributable to the Group's five largest suppliers were less than 30% of the total purchase of the Group in both the years of 2008 and 2009.

— Aggregate sales attributable to the Group's five largest customers were less than 30% of the total turnover of the Group in both the years of 2008 and 2009.

— At no time during the year did any Director or any shareholder of the Company have an interest in any of the Group's five largest suppliers or customers.

Directors' Report

DIRECTORS

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

Chairman and non-executive Director

Mr. HSU, Shu-tong

Executive Directors

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

Independent non-executive Directors

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

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

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

DIRECTORS' AND SENIOR MANAGEMENTS' BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set forth on pages 26 to 29 of the Annual Report.

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

Details of the emoluments of the directors and the five highest paid individuals of the Company in 2009 are set in note 15 to the financial statements.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors of the Company entered into a service contract with the Company for an initial term of three years commencing from the date of the Listing and may only be terminated in accordance with the provisions of the service contract after the first year of service of the Director by either party giving to the other not less than three months prior notice in writing.

The Company has issued an appointment letter to each of the non-executive Directors and Independent non-executive Directors of the Company for an initial term of three years commencing from the date of the Listing unless terminated by either party giving to the other not less than two months prior notice in writing.

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

Directors' Report

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2009, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company

Name of Director	Number of ordinary shares			% of the Company's issued shares
	Personal interests	Equity derivatives *(Note 1)*	Total interests	
Mr. Chang, Tsai-hsiung	200,000	1,500,000	1,700,000	0.11%
Madam Chiang Shao, Ruey-huey	40,000	400,000	440,000	0.03%
Mr. Hsu, Shu-tong	—	3,000,000	3,000,000	0.19%
Mr. Chang, Chen-kuen	23,000	400,000	423,000	0.03%
Mr. Lin, Seng-chang	—	400,000	400,000	0.03%
Mr. Wu, Chung-lih	—	400,000	400,000	0.03%

Note:

1. *This represented interests in option granted to Directors under the Pre-IPO Share Option Scheme to subscribe for shares of the Company, further details of which are set forth under the section headed "Share Option Schemes" to this report.*

Long positions in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Type of interest: Personal	Type of interest: Through spouse	Type of interest: Corporate	No. of shares in the associated corporation	Percentage of shareholding in the associated corporation
Mr. Chang, Tsai-hsiung	Asia Cement Corporation ("Asia Cement")	408,010	37,570	—	445,580	0.01%
	Oriental Industrial Holdings Pte., Ltd ("Oriental Industrial")	2,000	—	—	2,000	0.0003%
Madam Chiang Shao, Ruey-huey	Asia Cement	68,051	2,172	—	70,223	0.002%
	Oriental Industrial	1,000	—	—	1,000	0.0001%
Mr. Hsu, Shu-tong	Asia Cement	20,676,499	7,216,270	—	27,892,769	0.93%
	Asia Cement (Singapore) Private Limited ("Asia Cement Singapore")	2	—	—	2	0.00002%
	Oriental Industrial	4,000	—	—	4,000	0.0007%
Mr. Chang, Chen-kuen	Asia Cement	269,459	4,282	—	273,741	0.009%
Mr. Lin, Seng-chang	Asia Cement	79,200	—	—	79,200	0.003%

Saved as disclosed above, as at 31 December 2009, none of the Directors and their associates had any interests or short positions in any shares, underlying shares of equity derivatives and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 31 December 2009, the interests and short positions of every persons, other than Directors or chief executive of the Company, in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

Long positions in Shares

Substantial shareholders

Name	Capacity	Number of Shares	Approximate percentage of holding
Asia Cement Singapore	Beneficial owner	63,790,798	4.10%
Falcon Investment Private Limited	Beneficial owner	11,074,000	0.71%
U-Ming Marine Transport (Singapore) Private Limited *(Note 1)*	Interest by attribution	11,074,000	0.71%
U-Ming Marine Transport Corporation *(Note 2)*	Interest by attribution	11,074,000	0.71%
Asia Cement *(Note 3)*	Beneficial owner and interest by attribution	1,136,074,000	73.00%
Far Eastern New Century Corporation *(Note 4)*	Interest by attribution	1,136,074,000	73.00%

Notes:

1. *U-Ming Marine Transport (Singapore) Private Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Falcon Investment Private Limited.*

2. *U-Ming Marine is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of U-Ming Marine Transport (Singapore) Private Limited.*

3. *Asia Cement beneficially owns approximately 68.19% interest of the Company. Asia Cement Singapore and U-Ming Marine is approximately 99.96% and 38.66% owned by Asia Cement respectively. Asia Cement is also deemed to be interested in approximately 4.10% and 0.71% interest of the Company by virtue of its corporate interest in Asia Cement Singapore and U-Ming Marine.*

4. *Far Eastern New Century Corporation is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Asia Cement.*

SHARE OPTION SCHEMES

(a) Pre-IPO Share Option Scheme

Pursuant to the Pre-IPO Share Option Scheme on 13 December 2007, the Company has granted certain options to eligible Directors, senior management and employees of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated under the Pre-IPO Share Option Scheme. The exercise price shall be 85% of the final offer price to the public. The Pre- IPO Share Option Scheme will remain in force for a period of 6 years from the grant date.

At 31 December 2009, 11,578,000 options were granted under the Pre-IPO Share Option Scheme, and no such share options have been exercised yet. Share options granted under the Pre-IPO Share Option Scheme are exercisable at HK$4.2075 per share. The holders of the said share options may exercise options pursuant to the following schedules of vesting period and percentage:

(i) The employee of the Group

Period that the share options can be exercised after the share options are granted	Maximum accumulated percentage of share options exercisable
Attaining 2 years	30%
Attaining 3 years	60%
Attaining 4 years	80%
Attaining 5 years	100%

(ii) The director of the Group

Period that the share options can be exercised after the share options are granted	Maximum accumulated percentage of share options exercisable
Attaining 1 years	33.3%
Attaining 2 years	66.6%
Attaining 3 years	100%

Directors' Report

(iii) The eligible person who is neither the employee nor the Director of the Group may exercise the share options after 6 months the share options are granted to him.

Details of the share options outstanding as at 31 December 2009 which have been granted under the Pre-IPO Share Option Scheme are as follows:

Name	Date of Grant	Options outstanding at 1 January 2009	Granted during the period	Options exercised during the period	Option lapsed on expiry	Options cancelled upon termination of employment	Option outstanding at 31 December 2009
Directors							
Mr. Chang, Tsai-hsiung	17 April 2008	1,500,000	—	—	—	—	1,500,000
Madam Chiang Shao, Ruey-huey	17 April 2008	400,000	—	—	—	—	400,000
Mr. Hsu, Shu-tong	17 April 2008	3,000,000	—	—	—	—	3,000,000
Mr. Chang, Chen-kuen	17 April 2008	400,000	—	—	—	—	400,000
Mr. Lin, Seng-chang	17 April 2008	400,000	—	—	—	—	400,000
Mr. Wu Chung-lih	17 April 2008	400,000	—	—	—	—	400,000
Other employees	17 April 2008	5,478,,000	—	—	—	—	5,478,000
		11,578,000	—	—	—	—	11,578,000

(b) Share Option Scheme

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Company and to enable to the Company and its subsidiaries to recruit and retain high-calibre employees.

The Directors may, at their discretion, offer eligible persons (being full time or part time employees, executive directors, non-executive directors and independent non-executive directors or consultant of the Group or any person whom the Board considers, in its sole discretion, has contributed or contributes to the Group) who the Board may in its absolute discretion select to subscribe the shares.

Initially the maximum number of shares which may be issued upon exercise of all the options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate number of the shares in issue as at the date of the Listing. The total number of shares which may be issued upon exercise of all the options granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the aggregate number of the shares in issue from time to time.

Unless approved by shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) under the Share Option Scheme or any other share option scheme adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) in any 12 month period must not exceed 1% of the shares in issue.

The vesting periods, exercise periods and vesting conditions maybe specified by the Company at the time of the grant, and the share options shall expire no later than 10 years from the relevant date of grant.

At the time of the grant of the options, the Company may specify any performance target(s) which must be achieved before the options can be exercised. The Share Option Scheme does not contain any performance targets.

The amount payable by a grantee on acceptance of a grant of options is HK$1.00. The subscription price for the shares of the Company being the subject of the options shall be no less than the higher of (i) the closing price of the shares as stated in the daily quotation sheet issued by the HK Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the HK Stock Exchange for the five HK Stock Exchange business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.

The Share Option Scheme will expire on 26 April 2018. No options has been granted under the Share Option Scheme as at 31 December 2009, or as at the date of this Annual Report.

EMOLUMENT POLICY

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

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

The Group operates a Mandatory Provident Fund ("MPF") Scheme under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2009.

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

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

NON-COMPETITION UNDERTAKING

Save as disclosed in the section headed "Relationship with Asia Cement" and "Connected Transactions" in the Prospectus, no additional ongoing relationships or potential conflict of interests was identified during the year. Besides, the independent non-executive Directors have conducted an annual review on the compliance of Non-Competition Agreement (as defined in the Prospectus) that entered by Asia Cement and Far Eastern New Century Corporation, no violation of the undertakings as stipulated in the Non-Competition Agreement was found.

Directors' Report

LONG TERM RECEIVABLES

Details of long term receivables from the Ruichang City Government and the Wuhan City Government are set out in note 30 to the financial statements.

Receivable from the Ruichang City Government

During 2009, approximately RMB1.2 million had been repaid by the Ruichang City Government. Of such repayment, approximately RMB0.9 million was made by offsetting land use tax payments of Jiangxi Yadong to the Ruichang City Government and approximately RMB0.3 million was made by offsetting the dividends paid to Jiangxi City Construction Materials Group Company (being the minority shareholder of Jiangxi Yadong and an investment vehicle of Ruichang City Government).

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

Receivable from the Wuhan City Government

According to the agreements with Wuhan City government, the repayment will be made by offsetting 50% of certain taxes payable to the local tax authority by Hubei Yadong. As Hubei Yadong commenced cement production in March 2009 and the local tax authority will offset the tax payables after completion of first year of cement production, no repayment was made during 2009.

The Directors are of the view that since Hubei Yadong is expected to continue operation, it will have positive tax obligation. As such, the Directors expect that, through offsetting of certain taxes payable, the Directors consider that the advance will be fully recoverable by 2014.

The independent non-executive Directors concluded that no claim under the indemnity provided by Asia Cement is necessary for 2009.

PRE-EMPTIVE RIGHTS

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

CONTINUING CONNECTED TRANSACTION

On 23 April 2009, Nanchang Yadong Cement Co., Ltd ("Nanchang Yadong") entered into an agreement with Nanchang Changli Iron & Steel Co., Ltd ("Nanchang Changli") whereby Nanchang Yadong agreed to purchase slag from Nanchang Changli (the "Slag Purchase Agreement"). The Slag Purchase Agreement is for a term commencing from 1 January 2009 until 31 December 2009. Pursuant to the Slag Purchase Agreement, Nanchang Yadong agreed to purchase 40,000 to 45,000 tonnes of slag per month from Nanchang Changli. The unit purchase price of slag under the Slag Purchase Agreement is the prevailing market price of slag per unit with 5% discount, which is no less favourable than that available to the Group from independent third parties suppliers. Nanchang Yadong, an indirect non wholly-owned subsidiary of the Company, is owned as to 50% by Jiangxi Yadong, as to 25% by Oriental Holding and as to 25% by Nanchang Changli. As Nanchang Changli is a substantial shareholder of Nanchang Yadong, Nanchang Changli is a connected person (as such term is defined under the Listing Rules) of the Company. Nanchang Changli is principally engaged in the production and sale of steel.

The independent non-executive directors, who are not interested in any connected transaction with the Group, have reviewed the continuing connected transaction as set out above and confirmed that the transaction has been entered into by the Group in the ordinary and usual course of business, on normal commercial terms, and in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the board of directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transaction of the Group. The auditors of the Company have reported the factual findings on these procedures to the board of directors.

The board of directors has received a letter from the auditors of the Company stating that the Continuing Connected Transaction:

(i) has received the approval of the Company's board of directors;

(ii) has been entered into in accordance with the terms of the relevant agreement governing the Continuing Connected Transactions; and

(iii) has not exceeded its maximum aggregate annual value set out above for the financial year ended 31 December 2009.

In respect of the Continuing Connected Transactions, the Company has complied with the disclosure requirements under the Listing Rules in force from time to time.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

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

17 March 2010

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Asia Cement (China) Holdings Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 99, which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
17 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Revenue	7	**4,207,408**	3,248,152
Cost of sales		**(2,994,271)**	(2,340,149)
Gross profit		**1,213,137**	908,003
Other income	9	**102,425**	116,075
Other expenses and losses	10	**(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	11	**(145,498)**	(156,859)
Profit before tax		**696,290**	467,007
Income tax expense	12	**(81,004)**	(28,606)
Profit for the year	13	**615,286**	438,401
Other comprehensive loss:			
Available-for-sale financial assets	14	**—**	(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
		RMB	RMB
Earnings per share	17		
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	18	**8,844,152**	6,908,257
Quarry	19	**140,661**	71,434
Prepaid lease payments	20	**392,470**	284,758
Interests in jointly controlled entities	21	**46,026**	30,275
Deposits paid for land use rights		**101,143**	185,268
Deposits paid for mining right		**24,642**	—
Deferred tax assets	29	**14,029**	10,637
Long term receivables	30	**56,152**	53,070
		9,619,275	7,543,699
CURRENT ASSETS			
Inventories	22	**483,989**	415,485
Long term receivables — due within one year	30	**11,030**	6,140
Trade and other receivables	23	**1,115,751**	767,070
Tax recoverable		**5,836**	8,519
Prepaid lease payments	20	**9,919**	7,939
Amount due from a related company	24	**—**	37
Derivative financial instrument	25	**130**	—
Restricted bank deposits	26	**82,340**	102,943
Time deposits	26	**—**	20,000
Bank balances and cash	26	**1,331,266**	2,078,228
		3,040,261	3,406,361
CURRENT LIABILITIES			
Trade and other payables	27	**673,771**	525,414
Amounts due to related companies	24	**6,111**	7,487
Tax payables		**25,768**	4,747
Bank borrowings — due within one year	28	**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

	Notes	**2009 RMB'000**	2008 RMB'000
NON-CURRENT LIABILITIES			
Other payables	*27*	**18,000**	—
Bank borrowings — due after one year	*28*	**3,911,519**	2,503,898
Deferred tax liabilities	*29*	**10,121**	7,778
		3,939,640	2,511,676
NET ASSETS		**7,067,091**	6,591,014
CAPITAL AND RESERVES			
Share capital	*31*	**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

The consolidated financial statements on pages 44 to 99 were approved and authorised for issue by the Board of Directors on 17 March 2010 and are signed on its behalf by:

CHANG, TSAI-HSIUNG
DIRECTOR

CHIANG SHAO, RUEY-HUEY
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to equity holders of the Company										
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000 *(note a)*	Other reserves RMB'000 *(note b)*	Special reserve RMB'000 *(note c)*	Revaluation reserve RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2008	2	1,377,066	106,360	268,145	1,619,677	1,689	—	470,746	3,843,685	439,278	4,282,963
Profit for the year	—	—	—	—	—	—	—	410,717	410,717	27,684	438,401
Other comprehensive loss for the year	—	—	—	—	—	(1,689)	—	—	(1,689)	—	(1,689)
Total comprehensive income for the year	—	—	—	—	—	(1,689)	—	410,717	409,028	27,684	436,712
Capitalisation issue	101,016	(101,016)	—	—	—	—	—	—	—	—	—
Issue of shares via capitalisation of amount due to the immediate holding company *(note c)*	—	288,495	—	—	—	—	—	—	288,495	—	288,495
Issue of new shares	38,531	1,868,841	—	—	—	—	—	—	1,907,372	—	1,907,372
Cost of issue new shares	—	(56,816)	—	—	—	—	—	—	(56,816)	—	(56,816)
Contributions from Asia Cement	—	—	—	17,893	—	—	—	—	17,893	—	17,893
Appropriation	—	—	58,587	—	—	—	—	(58,587)	—	—	—
Acquisition of minority interest *(note c)*	—	—	—	—	54,216	—	—	—	54,216	(344,481)	(290,265)
Recognition of equity-settled share-based payment	—	—	—	—	—	—	7,748	—	7,748	—	7,748
Dividends paid to minority interest of subsidiaries	—	—	—	—	—	—	—	—	—	(3,088)	(3,088)
At 31 December 2008	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 income for the year	—	—	—	—	—	—	—	609,966	609,966	5,320	615,286
Appropriation	—	—	110,281	—	—	—	—	(110,281)	—	—	—
Recognition of equity-settled share-based payment	—	—	—	—	—	—	8,196	—	8,196	—	8,196
Dividend recognised as distributions *(note 16)*	—	—	—	—	—	—	—	(155,625)	(155,625)	—	(155,625)
Dividends paid to minority interest of subsidiaries	—	—	—	—	—	—	—	—	—	(3,736)	(3,736)
Capital contribution from minority interest *(note d)*	—	—	—	—	—	—	—	—	—	11,956	11,956
At 31 December 2009	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

Notes:

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

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

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

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

b. *Other reserves as at 31 December 2009 mainly comprise of (i) capital contribution from Asia Cement Corporation ("Asia Cement"), immediate and ultimate holding company of the Company, and the minority shareholders; (ii) the remuneration paid by Asia Cement of certain employees of Asia Cement and its subsidiaries ("Asia Cement Group") for their service provided the Group (the "Payments"). The Payments were not recharged to the Group and therefore the Payments were treated as capital contribution from Asia Cement and (iii) a waiver of advances from Asia Cement in relation to the audit fees of the Group for the three years ended 31 December 2004, 2005 and 2006 paid by Asia Cement on behalf of the Group.*

c. *Special reserve as at 1 January 2008 represents mainly (i) approximately RMB1,623,254,000 as the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of share capital and share premium of the subsidiaries acquired by the Company through the exchange of shares during the Company's reorganization in 2004. (ii) approximately RMB3,577,000 as the difference between the capital injected by Der Ching Investment and the increase in carrying amount of the minority interest as a result of the deemed disposals. In 2007, Der Ching Investment Co. Ltd ("Der Ching Investment"), a wholly-owned subsidiary of Asia Cement, invested RMB165,674,000 in Sichuan Yadong Cement Co. Ltd ("Sichuan Yadong"), a subsidiary of the Company. Therefore, Der Ching Investment's interest in Sichuan Yadong has increased from 18.92% to 36.84%. The investments by Der Ching Investment were accounted for as deemed disposals of Sichuan Yadong's equity interest by the Group.*

In 2008, the Group acquired the remaining 36.84% equity interests in Sichuan Yadong from Der Ching Investment at a consideration of US$40,355,900 (equivalent to approximately RMB290,265,000) and Sichuan Yadong became the wholly-owned subsidiary of the Company since then. The difference of RMB54,216,000 between the consideration of RMB290,265,000 and the decrease in the carrying amount of the minority interest of approximately RMB344,481,000 was accounted for as deemed contribution from Asia Cement and was credited to special reserve.

d. *The capital contribution of US$1,750,000 (equivalent to approximately RMB11,956,000) from a minority shareholder represents its share of additional contributed capital in Jiangxi Ya Dong Cement Corporation Ltd ("Jiangxi Ya Dong") as a result of the increase in the registered capital of Jiangxi Ya Dong during the year ended 31 December 2009.*

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**696,290**	467,007
Adjustments for:		
Depreciation and amortisation	**467,061**	340,068
Interest expenses	**145,498**	156,859
Allowance for doubtful debts, net	**25,122**	8,593
Equity-settled share-based payment expense	**8,196**	7,748
Fair value adjustment on long term receivables	**3,282**	—
Loss (gain) on disposal of property, plant and equipment	**623**	(152)
Salaries and other benefits paid by Asia Cement Group	**—**	17,893
Adjustment of exchange gain	**—**	(1,770)
Interest income	**(15,923)**	(46,654)
Share of profit of jointly controlled entities	**(949)**	(2,088)
Imputed interest income on long term receivables	**(745)**	(810)
Gain on disposal of available-for-sale investments	**(502)**	(4,840)
Changes in fair value of derivative financial instrument	**(130)**	—
Operating cash flows before movements in working capital	**1,327,823**	941,854
Increase in inventories	**(68,504)**	(135,773)
Increase in trade and other receivables	**(378,436)**	(198,961)
Decrease in amount due from a related company	**37**	1,295
Increase in trade and other payables	**56,395**	99,714
(Decrease) increase in amounts due to related companies	**(112)**	1,625
Cash generated from operations	**937,203**	709,754
Income taxes paid	**(58,349)**	(49,163)
NET CASH FROM OPERATING ACTIVITIES	**878,854**	660,591
INVESTING ACTIVITIES		
Proceeds on disposal of available-for-sale investments	**524,502**	517,140
Decrease in restricted bank deposits	**20,603**	7,620
Interest received	**20,556**	42,721
Decrease (increase) in time deposits	**20,000**	(20,000)
Proceeds on disposal of property, plant and equipment	**3,335**	1,562
Repayment of long term receivables from local governments in PRC	**19,799**	1,390
Purchase of property, plant and equipment	**(2,245,437)**	(2,221,262)
Acquisition of available-for-sale investments	**(524,000)**	(388,300)
Purchase of quarry	**(77,084)**	(17,330)
Purchase of land use rights	**(27,902)**	(5,685)
Advances to local governments in PRC	**(20,308)**	(28,382)
Capital contribution to jointly controlled entity	**(14,802)**	—
Increase in deposits paid for land use rights	**(17,387)**	(90,673)
NET CASH USED IN INVESTING ACTIVITIES	**(2,318,125)**	(2,201,199)

	2009 RMB'000	2008 RMB'000
FINANCING ACTIVITIES		
Repayments of borrowings	**(2,036,654)**	(853,598)
Interest paid	**(204,076)**	(193,530)
Dividend paid	**(155,625)**	—
Dividend paid to minority interest of subsidiaries	**(3,736)**	(3,088)
Repayments of advances to Asia Cement	**(1,264)**	(11,794)
Proceeds from issue of new shares	**—**	1,907,372
Advances from Asia Cement	**—**	11,262
Cost of issue new shares	**—**	(56,816)
Capital contributions from minority interest	**11,956**	—
New bank borrowings raised	**3,081,708**	2,198,812
NET CASH FROM FINANCING ACTIVITIES	**692,309**	2,998,620
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(746,962)**	1,458,012
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**2,078,228**	620,216
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**1,331,266**	2,078,228

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

1. GENERAL

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 7 April 2004 under the Companies Law (2003 Revision), Chapter 22 of the Cayman Islands. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 May 2008. The immediate and ultimate holding company is Asia Cement Corporation, a company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation. The address of the registered office of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies and the principal place of business of the Company is at Portion of Unit B, 11th Floor, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sale of cement, concrete and related products.

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

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

In the current year, the Group has applied the following new and revised 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.

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

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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which were adjusted to fair values at initial recognition or 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.

Basis of consolidation

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

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interest in subsidiaries

For acquisition of additional interest in subsidiaries the difference between the purchase consideration and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is debited or credited directly to special reserve.

Jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entities (continued)

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Property, plant and equipment

Property, plant and equipment including building held for use in the production or supply of good or service, or for administrative purposes other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

Prepaid lease payments

Payment for obtaining land use rights is accounted for as prepaid lease payments and is charged to profit or loss on a straight-line basis over the lease terms.

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Quarry

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

Impairment loss of tangible and intangible assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment loss of tangible and intangible assets (continued)

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Revenue recognition

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

Deposits received from purchases prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities. Revenue from sales of goods are recognised when goods are delivered and title has been passed.

Transportation fee income is recognised when the service is provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

Borrowing costs

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

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

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables or held-to-maturity investments. The Group designated unlisted mutual fund as available-for-sales financial assets.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in revaluation reserve.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including borrowings, trade and other payables and amounts due to related companies) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Transaction costs of equity transaction

The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

Transaction costs related jointly to concurrent offering of shares and listing of shares are allocated using a basis of allocation that is rational and consistent with similar transactions.

Derivative financial instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). For share options which are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at 31 December 2009, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

Estimated impairment of trade and other receivables and long term receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2009, the carrying amount of trade and other receivables and long term receivables is RMB1,182,933,000 (2008: RMB826,280,000) (net of allowance for doubtful debts of RMB52,115,000 (2008: RMB27,329,000)).

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consist of debts that include bank borrowings as disclosed in note 28, net of bank balances and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2009 **RMB'000**	2008 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,356,543**	2,918,567
Derivative financial instrument	**130**	—
Financial liabilities		
Amortised cost	**5,398,906**	4,224,060

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include long term receivable, trade and other receivables, trade and other payables, amounts due from/to related companies, borrowings, restricted bank deposits, time deposits and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risk (interest rate risk and currency risk) and liquid risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The Group is exposed to the concentration of credit risk in relation to the long term receivables from certain of PRC local governments (note 30). The Group will monitor the level of exposures to ensure that follow up actions and/or corrective actions are taken promptly to lower the risk exposure or to recover the over due balances. Other than the above, the Group has no other significant concentration of credit risk with exposure spread over a large number of counterparties and customers.

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

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks

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

(i) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to the long term receivables (note 30), fixed-rate borrowings (note 28) and restricted bank deposits (note 26). The Group currently does not enter into hedging instruments such as interest rate swaps to hedge against its exposure to changes in the interest rate of the borrowings. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, time deposits, restricted bank deposits (note 26) and borrowings (note 28). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Sensitivity analysis

The sensitivity analysis have been determined based on the exposure to interest rates for variable-rate borrowings and bank balances at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the year ended 31 December 2009 in the case of instruments that have floating rates. A 30 basis points increase or decrease is used and represents management's assessment of the possible change in interest rate. As a result of less volatile financial market, the management adjusted the sensitivity rate from 100 basis points to 30 basis points in the current year for the propose of analysing interest rate risk.

Borrowings

If interest rates had been 30 basis points (2008: 100 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year would decrease/increase by approximately RMB11,297,000 (2008: RMB31,613,000). This is mainly attributable to the Group's exposure to the interest rates on its variable-rate borrowings.

Bank Balances

If interest rates had been 30 basis points (2008: 100 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year would increase/decrease by approximately RMB2,481,000 (2008: RMB6,572,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

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

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(ii) Currency risk

Certain bank deposits (note 26) and bank borrowings (note 28) of the Group are denominated in United States dollars ("US dollars"), Euros, Singapore dollars and Hong Kong dollars, being currencies other than the functional currency of the relevant Group entities, which expose the group to foreign currency risk. During the year ended 31 December 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.

For sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in Renminbi against the relevant foreign currencies. 10% are the sensitivity rates used in the current year which represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates.

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

	Impact of US dollars		Impact of Hong Kong dollars		Impact of Euros		Impact of SGD	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Increase (decrease) in profit	**35,548**	(64,050)	**665**	609	**(276)**	(885)	**(88)**	—

Liquidity risk

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

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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

Liquidity tables

	Weighted average interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount at 31.12.2009 RMB'000
2009								
Trade and other payables	—	515,975	146	3,000	9,000	6,000	534,121	534,121
Amounts due to related companies	—	6,111	—	—	—	—	6,111	6,111
Variable interest rates borrowings	4.48	167,474	323,615	602,479	3,307,119	650,170	5,050,857	4,395,454
Fixed interest rates borrowings	3.79	60,446	412,634	—	—	—	473,080	463,220
		750,006	736,395	605,479	3,316,119	656,170	6,064,169	5,398,906

	Weighted average interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount at 31.12.2008 RMB'000
2008								
Trade and other payables	—	402,683	270	—	—	—	402,953	402,953
Amounts due to related companies	—	7,487	—	—	—	—	7,487	7,487
Variable interest rates borrowings	6.05	152,312	879,164	912,961	1,862,675	182,443	3,989,555	3,498,620
Fixed interest rates borrowings	6.81	105,934	219,483	—	—	—	325,417	315,000
		668,416	1,098,917	912,961	1,862,675	182,443	4,725,412	4,224,060

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

6. FINANCIAL INSTRUMENTS (continued)

c. Fair value

The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. Foreign exchange forward contract is measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

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

Fair value measurements recognised in the statement of financial position

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

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

	31.12.2009			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial asset at FVTPL				
Foreign exchange forward contract	—	130	—	130

There were no transfers between Level 1 and 2 in the current year.

7. 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

8. 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.

In prior years, primary segment information was analysed on the basis of business activities of the group which were categorised into cement business and concrete business. Internal reports that regularly reviewed by the CODM include (i) revenue analysed on the basis of the geographical location of cement products and concrete supplied to; (ii) revenue and sales volume analysed on the basis of types of products which include cement products, clinker, blast-furnace slag power (collectively under cement business) and RMC (under concrete business). No operating results nor discrete financial information was presented to CODM in relation to the above analyses. For the purposes of assessing performance and allocating resources, CODM reviews revenues and operating results of cement business and concrete business, respectively. They are considered as the operating segments of the Group under IFRS 8. Accordingly, 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. Nor has the adoption of IFRS 8 changed the basis of measurement of segment profit or loss.

8. SEGMENT INFORMATION (continued)

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

For the year ended 31 December 2009

	Cement business RMB'000	Concrete business RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue				
External sales	3,769,998	437,410	—	4,207,408
Inter-segment sales	76,547	61,827	(138,374)	—
Total	3,846,545	499,237	(138,374)	4,207,408
Segment result	833,957	1,676		835,633
Unallocated income				38,534
Central administration costs, directors' salaries and other unallocated expense				(33,328)
Share of profit of jointly controlled entities				949
Finance costs				(145,498)
Profit before tax				696,290

For the year ended 31 December 2008

	Cement business RMB'000	Concrete business RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue				
External sales	2,889,662	358,490	—	3,248,152
Inter-segment sales	76,463	26,758	(103,221)	—
Total	2,966,125	385,248	(103,221)	3,248,152
Segment result	632,351	5,083		637,434
Unallocated income				76,752
Central administration costs, directors' salaries and other unallocated expense				(92,408)
Share of profit of jointly controlled entities				2,088
Finance costs				(156,859)
Profit before tax				467,007

8. SEGMENT INFORMATION (continued)

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

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

Other segment information

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Total RMB'000
2009				
Amounts included in the measure of segment profit or loss:				
Depreciation and amortisation	**426,639**	**31,152**	**9,270**	**467,061**
Loss (gain) on disposal of property, plant and equipment	**1,114**	**—**	**(491)**	**623**
Allowance for doubtful debts, net	**1,746**	**23,376**	**—**	**25,122**
Amounts that regularly provided to CODM but not included in the measure of segment profit or loss:				
Additions to non-current assets *(note)*	**2,551,442**	**21,761**	**12,630**	**2,585,833**

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Consolidated RMB'000
2008				
Amounts included in the measure of segment profit or loss:				
Depreciation and amortisation	305,210	26,260	8,598	340,068
(Gain) loss on disposal of property, plant and equipment	(168)	—	16	(152)
Allowance for doubtful debts, net	1,446	7,448	(301)	8,593
Amounts that regularly provided to CODM but not included in the measure of segment profit or loss:				
Additions to non-current assets *(note)*	2,260,143	97,399	7,386	2,364,928

Note: *Non-current assets includes property, plant and equipment, prepaid lease payments and quarry.*

8. SEGMENT INFORMATION (continued)

Geographical Information

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

Information about major customers

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

9. OTHER INCOME

	2009 **RMB'000**	2008 RMB'000
Government grant *(note 38)*	**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 *(note a)*	**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 *(note b)*	**—**	15,798
Gain on disposal of property, plant and equipment	**—**	152
Others	**3,552**	3,566
	102,425	116,075

Note:

a. *The direct operating expenses incurred for generating rental income amount to approximately RMB672,000 (2008: approximately RMB1,047,000).*

b. *In November 2007, the Group increased its investments in certain subsidiaries by capitalising retained earnings of approximately RMB169,117,000 as paid up capital of the relevant subsidiaries. As a result, the Group was entitled to a tax refund which was calculated based on the prevailing tax rate on the amount capitalised. Such incentive had been recognised as other income upon receipt of the tax refund notice in the 2008.*

10. OTHER EXPENSES AND LOSSES

	2009 RMB'000	2008 RMB'000
Donations *(note a)*	**28,365**	—
Allowance for doubtful debts, net *(note b)*	**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

Notes:

a. *Donations of approximately RMB24 million have been made in Province of Sichuan in relation to construction of roads and schools in Sichuan.*

b. *During the year, additional allowance for doubtful debts of approximately 25 million has been made on trade receivables, taking into account the estimated future cash flows by reference to past default experience, financial condition and the ages of these trade receivables.*

11. FINANCE COSTS

	2009 RMB'000	2008 RMB'000
Interests on bank borrowings:		
— Wholly repayable within five years	**177,763**	204,377
— Not wholly repayable within five years	**20,556**	8,102
Total borrowing costs	**198,319**	212,479
Less: Interests capitalised	**(52,821)**	(55,620)
	145,498	156,859

Borrowings costs capitalised during the year ended 31 December 2009 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.45% (2008: 5.74%) per annum to expenditure on qualifying assets.

12. INCOME TAX EXPENSE

	2009 **RMB'000**	2008 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 *(note 29)*	**(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.

12. INCOME TAX EXPENSE (continued)

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

	2009 RMB'000	2008 RMB'000
Profit before tax	**696,290**	467,007
Tax at the PRC EIT rate of 25% (2008: 25%)	**174,073**	116,751
Tax effect of expenses not deductible for tax purposes	**12,641**	22,369
Tax effect of different tax rate of subsidiaries	**380**	850
Tax effect of share of profit of jointly controlled entities	**(237)**	(522)
Tax effect of income not taxable for tax purposes	**(1,568)**	(4,463)
Effect of tax exemption granted to PRC subsidiaries	**(115,943)**	(110,731)
Overprovision in prior year	**(730)**	(1,493)
Tax effect of tax loss not recognised	**7,456**	1,028
Utilisation and recognition of tax losses not previously recognised	**(2,601)**	—
Deferred tax on undistributed earnings of subsidiaries	**7,533**	4,817
Income tax expense for the year	**81,004**	28,606

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

Details of movements in deferred tax have been set out in note 29.

13. 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 *(note 15(a))*		
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

14. OTHER COMPREHENSIVE INCOME

	2009 **RMB'000**	2008 RMB'000
Other comprehensive income includes:		
Available-for-sale financial assets:		
Gain arising during the year	**502**	3,151
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal	**(502)**	(4,840)
Other comprehensive income	**—**	(1,689)

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2008: ten) directors are set out below:

Year ended 31 December 2009

	Fee RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Equity-settled share-based payment RMB'000	Total RMB'000
Mr. Hsu, Shu-tong	263	102	—	2,268	2,633
Mr. Chang, Tsai-hsiung	304	284	—	1,134	1,722
Madam Chiang, Shao Ruey-huey	265	110	—	302	677
Mr. Chang, Chen-kuen	301	1,320	—	302	1,923
Mr. Lin, Seng-chang	272	1,360	—	302	1,934
Mr. Wu, Chung-lih	270	956	—	302	1,528
Mr. Liu, Zhen-tao	211	—	—	—	211
Mr. Lei, Qian-zhi	211	—	—	—	211
Mr. Tsim, Tak-lung Dominic	211	—	—	—	211
Mr. Wong, Ying-ho Kennedy	211	—	—	—	211
	2,519	4,132	—	4,610	11,261

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

Year ended 31 December 2008

	Fee RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Equity-settled share-based payment RMB'000	Total RMB'000
Mr. Hsu, Shu-tong	216	147	—	2,597	2,960
Mr. Chang, Tsai-hsiung	201	401	—	1,299	1,901
Madam Chiang, Shao Ruey-huey	191	1,478	30	346	2,045
Mr. Chang, Chen-kuen	191	1,550	33	346	2,120
Mr. Lin, Seng-chang	191	1,549	32	346	2,118
Mr. Wu, Chung-lih	191	426	—	346	963
Mr. Liu, Zhen-tao	162	—	—	—	162
Mr. Lei, Qian-zhi	162	—	—	—	162
Mr. Tsim, Tak-lung Dominic	142	—	—	—	142
Mr. Wong, Ying-ho Kennedy	142	—	—	—	142
	1,789	5,551	95	5,280	12,715

None of the directors waived any emoluments for both years.

(b) Employees' emoluments

For the years ended 31 December 2009 and 2008, the five highest paid individuals are the directors of the Company, whose emoluments are included in the disclosures in note (a) above.

16. DIVIDENDS

	2009 RMB'000	2008 RMB'000
Dividend recognised as distributions during the year:		
2008 Final, paid—RMB10 cents per share (2007: nil)	**155,625**	—

A final dividend for the year ended 31 December 2009 of RMB10 cents per share (2008: RMB10 cents per share) amounting to approximately RMB155,625,000 (2008: RMB155,625,000) has been proposed by the Board of Directors after the end of the reporting period. The proposed final dividend for the current year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

17. 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 RMB'000	2008 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.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Trunks, loaders and motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2008	1,081,724	3,798,800	186,678	236,236	158	588,980	5,892,576
Additions	2,966	24,195	18,572	33,724	—	2,260,756	2,340,213
Disposals	—	(80)	(997)	(2,972)	(158)	—	(4,207)
Transfer	167,997	408,398	9,410	21,787	—	(607,592)	—
At 31 December 2008	1,252,687	4,231,313	213,663	288,775	—	2,242,144	8,228,582
Additions	3,409	44,418	16,332	25,375	—	2,303,443	2,392,977
Disposals	—	(1,986)	(566)	(7,318)	—	—	(9,870)
Transfer	574,000	1,688,969	69,167	8,687	—	(2,340,823)	—
Reclassification	—	46,980	(40,761)	(6,219)	—	—	—
At 31 December 2009	**1,830,096**	**6,009,694**	**257,835**	**309,300**	**—**	**2,204,764**	**10,611,689**
ACCUMULATED DEPRECIATION							
At 1 January 2008	114,395	724,273	72,938	82,245	158	—	994,009
Provided for the year	34,135	231,324	25,502	38,152	—	—	329,113
Eliminated on disposals	—	(9)	(494)	(2,136)	(158)	—	(2,797)
At 31 December 2008	148,530	955,588	97,946	118,261	—	—	1,320,325
Provided for the year	42,872	343,604	30,012	36,636	—	—	453,124
Eliminated on disposals	—	(707)	(484)	(4,721)	—	—	(5,912)
Reclassification	—	719	(265)	(454)	—	—	—
At 31 December 2009	**191,402**	**1,299,204**	**127,209**	**149,722**	**—**	**—**	**1,767,537**
CARRYING VALUES							
At 31 December 2009	**1,638,694**	**4,710,490**	**130,626**	**159,578**	**—**	**2,204,764**	**8,844,152**
At 31 December 2008	1,104,157	3,275,725	115,717	170,514	—	2,242,144	6,908,257

18. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rate per annum:

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

19. QUARRY

	RMB'000
COST	
At 1 January 2008	81,170
Additions	17,330
At 31 December 2008	98,500
Additions	73,442
At 31 December 2009	**171,942**
AMORTISATION	
At 1 January 2008	23,667
Provided for the year	3,399
At 31 December 2008	27,066
Provided for the year	4,215
At 31 December 2009	**31,281**
CARRYING VALUES	
At 31 December 2009	**140,661**
At 31 December 2008	71,434

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

20. PREPAID LEASE PAYMENTS

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

Analysed for reporting purposes as:

	2009 RMB'000	2008 RMB'000
Non-current assets	**392,470**	284,758
Current assets	**9,919**	7,939
	402,389	292,697

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

At 31 December 2009, prepaid lease payments with carrying value of approximately RMB126,719,000 (2008: approximately RMB40,047,000) have yet to obtain the land use right certificates. The Group is currently in the processing of obtaining these land use right certificates.

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

At 31 December 2009 and 2008, the Group had interests in the following jointly controlled entities:

Name of entity	Form of business structure	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group	Principal activities
武漢長亞航運有限公司 Wuhan Asia Marine Transport Corporation Ltd.	Sino-foreign equity joint venture	The PRC	50%	Provision of transportation services
成都亞鑫礦渣微粉有限公司 Chengdu Ya Xin Slag Micro Powder Co. Ltd.	Sino-foreign equity joint venture	The PRC	49.0%	Manufacture and sale of slag powder

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

	2009 RMB'000	2008 RMB'000
Investments in jointly controlled entities, at cost	**37,426**	22,624
Share of post-acquisition profits, net of dividends received	**8,600**	7,651
	46,026	30,275

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

	2009 RMB'000	2008 RMB'000
Current assets	**40,459**	16,738
Non-current assets	**67,791**	60,134
Current liabilities	**(4,354)**	(8,569)
Non-current liabilities	**(10,790)**	(7,340)
Income	**39,214**	48,758
Expense	**(37,283)**	(44,526)

22. INVENTORIES

	2009 RMB'000	2008 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

23. TRADE AND OTHER RECEIVABLES

	2009 RMB'000	2008 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 RMB'000	2008 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

23. TRADE AND OTHER RECEIVABLES (continued)

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

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limits by customer. Limits attributed to customers are reviewed once a year. Over 81% (2008: 89%) of the trade receivables as at 31 December 2009 are neither past due nor impaired. These receivables comprise principally receivables from customers with good credit quality.

Included in the Group's trade receivables balances are debtors with a carrying amount of approximately RMB39,046,000 (2008: approximately RMB13,268,000) which are past due at 31 December 2009 for which the Group has not provided for allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. These trade receivables which are past due but not impaired as at 31 December 2009 are aged over 180 days (2008: over 180 days).

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

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

	Other receivables		Trade receivables	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Balance at beginning of year	**2,373**	1,293	**24,956**	18,521
Additions	**—**	2,332	**25,186**	12,116
Reversal	**(41)**	(1,252)	**(23)**	(4,603)
Written off	**—**	—	**(336)**	(1,078)
Balance at end of year	**2,332**	2,373	**49,783**	24,956

24. AMOUNTS DUE FROM (TO) RELATED COMPANIES

(a) Amounts due from a related company

	2009 RMB'000	2008 RMB'000
Amounts due from a jointly controlled entity:		
Chengdu Ya Xin Slag Micro Powder Co., Ltd. (trade related)	—	37

The amount as at 31 December 2008 was unsecured, non-interest bearing and with a credit term of 30 days. The age of the amount was within 90 days.

(b) Amounts due to related companies

	2009 RMB'000	2008 RMB'000
Amounts due to Jointly controlled entities (trade related):		
Wuhan Asia Marine Transport Corporation Ltd.	5,371	5,323
Chengdu Ya Xin Slag Micro Powder Co. Ltd.	740	900
	6,111	6,223

The amounts due to jointly controlled entities are unsecured, non-interest bearing and with a credit term of 30 days. The age of the amount was within 90 days (31 December 2008: 90 days).

	2009 RMB'000	2008 RMB'000
Amounts due to immediate holding company (non-trade related):		
Asia Cement Corporation	—	1,264

The amount due to immediate holding company is unsecured, non-interest bearing and repayable on demand.

25. DERIVATIVE FINANCIAL INSTRUMENT

At 31 December 2009, the Group had an outstanding forward contract with notional amount of approximately US$22,000,000 to hedge the Group's foreign currency exposure on a US dollars denominated bank borrowing with maturity date on 10 May 2010. Major terms of the foreign exchange forward contract is as follow:

Notional amount	Maturity	Exchange rates
Buy US dollars 22,000,000	10 May 2010	RMB/USD6.805

The forward contract is measured at fair value and the increase in fair value during the year of approximately RMB130,000 (2008: Nil) has been recognised in profit or loss. The fair value of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

26. RESTRICTED BANK DEPOSITS, TIME DEPOSITS AND BANK BALANCES AND CASH

The amounts comprise bank balances and cash with an original maturity of three months or less and restricted bank deposits and time deposits with a maturity date less than a year. The restricted bank deposits, time deposits and bank balances carry interest rates ranging from 0.02% to 1.35% (2008: 0.01% to 5.859%).

The restricted bank deposits, time deposits and bank balances with fixed and floating interest rates amounting to approximately RMB442,873,000 (2008: approximately RMB1,469,674,000) and approximately RMB970,448,000 (2008: approximately RMB730,405,000), respectively.

Deposit amounting to RMB82,340,000 (2008: RMB102,943,000) have been pledged to secure short-term banking facilities granted to the Group and are therefore classified as current assets. The pledged bank deposits will be released upon release of banking facilities granted by the bank.

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

	2009 **RMB'000**	2008 RMB'000
Denominated in US dollars	**464,342**	1,465,552
Denominated in Hong Kong dollars	**22,499**	23,118
Denominated in Euros	**2,760**	9,911
Denominated in SGD	**1,077**	611

27. TRADE AND OTHER PAYABLES

	2009 RMB'000	2008 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 RMB'000	2008 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.

28. BANK BORROWINGS

	2009 RMB'000	2008 RMB'000
Bank borrowings		
Secured	—	—
Unsecured	4,858,674	3,813,620
	4,858,674	3,813,620

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

	2009 RMB'000	2008 RMB'000
Denominated in US dollars	1,018,640	802,800
Denominated in Hong Kong dollars	38,389	38,450

The borrowings are repayable as follows:

	2009 RMB'000	2008 RMB'000
Within one year	947,155	1,309,722
In the second year	566,970	841,209
In the third year	981,101	488,933
In the fourth year	1,249,839	409,792
In the fifth year	620,659	641,019
After five years	492,950	122,945
	4,858,674	3,813,620
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(947,155)	(1,309,722)
Amounts due for settlement after 12 months	3,911,519	2,503,898

28. BANK BORROWINGS (continued)

The borrowings carrying fixed and variable interest rates with reference to the Benchmark Borrowing Rate of the PRC ("Benchmark Rate") for RMB borrowings, or the London Interbank Offered Rate ("LIBOR") for foreign currency borrowings are as follows:

	2009		2008	
	Carrying amount RMB'000	Interest rates	Carrying amount RMB'000	Interest rates
Fixed-rate borrowings	**463,220**	**1.70%–5.31%**	315,000	5.58%–7.47%
Variable-rate borrowings	**4,395,454**	**90% to 100% of Benchmark Rate , or LIBOR plus margin of 0.5% to 1%**	3,498,620	90% to 100% of Benchmark Rate , or LIBOR plus margin of 0.5% to 1%

The interest rate (which is also equal to contracted interest rate in the Group's variable-rate bank borrowing is ranged from 0.88% to 7.05% (2008: 2.24% to 7.28%) per annum. Interest is repricing quarterly.

29. DEFERRED TAX

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

	Property, plant and equipment RMB'000	Impairment of trade and other receivables RMB'000	Tax loss RMB'000	Pre-operating expenses RMB'000	Undistributed earnings of subsidiaries RMB'000	Total RMB'000
At 1 January 2008	(4,809)	4,954	—	3,456	—	3,601
Credit (charge) to profit or loss	282	1,878	—	1,915	(4,817)	(742)
At 31 December 2008	(4,527)	6,832	—	5,371	(4,817)	2,859
Withholding tax paid	—	—	—	—	4,910	4,910
Credit (charge) to profit or loss	413	6,199	628	(3,568)	(7,533)	(3,861)
At 31 December 2009	**(4,114)**	**13,031**	**628**	**1,803**	**(7,440)**	**3,908**

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

29. DEFERRED TAX (continued)

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

	2009 RMB'000	2008 RMB'000
Deferred tax assets	**14,029**	10,637
Deferred tax liabilities	**(10,121)**	(7,778)
	3,908	2,859

At 31 December 2009, the Group has unused tax losses of approximately RMB32,336,000 (2008: approximately RMB9,630,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB2,512,000 (2008: Nil) of such losses. No deferred tax asset has been recognised in respect of remaining approximately RMB29,824,000 (2008: approximately RMB9,630,000) due to the unpredictability of future profit stream. As at 31 December 2009, the tax losses of RMB1,020,000, RMB1,492,000 and RMB29,824,000 will expire in 2012, 2013 and 2014, respectively. No deferred tax asset has been recognised in respect of such loss due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by Group's PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2009, deferred tax has been provided in respect of RMB160,295,000 (2008: RMB104,822,000) undistributed earnings of the Group's PRC subsidiaries. Deferred tax has not been provided in respect of the remaining temporary differences attributable to the undistributed earnings as the Group is in a position to control the quantum and timing of the distribution thereof, deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future. Deferred tax in respect of the undistributed earnings of the Group's jointly controlled entities in the PRC has not been provided as the amount involved is not significant.

As at 31 December 2009, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries and jointly controlled entities in respect of which deferred tax has not been provided for was approximately RMB982,899,000 (2008: RMB419,290,000) and RMB6,567,000 (2008: RMB4,635,000) respectively.

30. LONG TERM RECEIVABLES

	2009 RMB'000	2008 RMB'000
Receivables from		
瑞昌市人民政府 (the "Ruichang City Government") *(note a)*	**10,161**	10,962
武漢市新洲區人民政府 (the "Wuhan City Government") *(note b)*	**26,177**	25,866
彭州市人民政府 (the "Pengzhou City Government") *(note c)*	**22,126**	22,382
黃岡市人民政府 (the "Huanggang City Government") *(note d)*	**8,718**	—
	67,182	59,210
Less: Amount due within one year	**(11,030)**	(6,140)
Amount due after one year	**56,152**	53,070

Notes:

a. *From 2002 to 2005, Jiangxi Ya Dong Cement Corporation Ltd. ("Jiangxi Yadong"), a subsidiary of the Company and the Ruichang City Government entered into various agreements. Pursuant to these agreements, Jiangxi Yadong advanced funds of RMB7.8 million to the Ruichang City Government from 2002 to 2005 to facilitate the transfer of a piece of land to Jiangxi Yadong for the construction of the second production line. In 2007, Jiangxi Yadong further advanced approximately RMB8.05 million to the Ruichang City Government in relation to the transfer of the said land and Jiangxi Yadong obtained the land use right of that piece of land. The RMB8.05 million advance made in 2007 had been adjusted to its initial fair value based on the discounted cash flows on the expected receivable amount using a discount rate of 6.84%. In May 2003, on behalf of Asia Continent Investment Holdings Pte., Ltd. (a subsidiary of the Company), Jiangxi Yadong made a payment of approximately RMB4 million to the Ruichang City Government for the acquisition of the 2% equity interests owned by 江西省建材集團公司 in Jiangxi Yadong. The proposed acquisition was subsequently turned down by the Ruichang City Government and approximately RMB2 million was returned to Jiangxi Yadong in 2005.*

As represented by the management, the advances of approximately RMB10.16 million (2008: approximately RMB10.96 million) are unsecured, non-interest bearing and repayable through the refund of certain taxes to be payable to the Ruichang City Government and offsetting of dividends payable by Jiangxi Yadong to its minority shareholder, 江西省建材集團公司 (an investment vehicle of the Ruichang City Government). The directors consider that these advances will be fully recoverable by 2017.

Upon the completion of the global offering of the Company's shares in May 2008, Asia Cement has provided an indemnity in respect of any loss on the aforesaid receivables due from the Ruichang City Government approximately of RMB10.16 million (2008: approximately RMB10.96 million) which cannot be recovered by Jiangxi Yadong in accordance with the expected time as per above.

30. LONG TERM RECEIVABLES (continued)

Notes: (continued)

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

In August 2007, in order to ensure that Hubei Yadong would have a reliable local source of electricity, Hubei Yadong entered into a second agreement with the Wuhan City Government pursuant to which Hubei Yadong committed to advance fund of approximately RMB20 million to the Wuhan City Government and up to 31 December 2009, RMB18.5 million (2008: RMB18.5 million) was made to the Wuhan City Government. The advances are unsecured, non-interest bearing and will be repayable through refund of the 50% of certain taxes to be paid to the Wuhan City Government upon the commencement of Hubei Yadong's cement production. The directors consider that the advance will be fully recoverable by 2014.

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

c. *In March 2004, Oriental Industrial Holdings Pte., Ltd., a subsidiary of the Company and the immediate holding company of Sichuan Yadong Cement Company Limited ("Sichuan Yadong"), and Pengzhou City Government entered into an agreement in which both parties "agreed to construct certain electricity supply facilities jointly in Sichuan. The advance of approximately RMB6.6 million as at 31 December 2009 (2008: approximately RMB6.6 million) represented the portion of the construction costs to be borned by the Pengzhou City Government.*

In July 2006, Sichuan Yadong entered into another agreement with the Pengzhou City Government. Pursuant to the agreement, in order to ensure sufficient supply of lime stones to the factory of Sichuan Yadong, Sichuan Yadong would borrow a bank loan of RMB200 million to finance the construction of a belt for transporting the lime stones and the Pengzhou City Government is responsible for the reimbursement of the transportation costs incurred during the construction period of the belt and the interest expenses arisen from the bank loan up to a period of 2 years from the drawn down of the loan. The receivables are unsecured, interest free and repayable on demand. As at 31 December 2009, the receivables in respect of the transportation costs and the interest expenses are approximately RMB2.2 million (2008: approximately RMB13 million) and approximately RMB3.3 million (2008: approximately RMB3.3 million), respectively.

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

In January 2009, Sichuan Yadong negotiated a revised payment plan with the Pengzhou City Government in respect of the receivables. Pursuant to the revised payment plan, the advances as at 31 December 2009 will be settled by installments of RMB5 million annually commencing from the year of 2009.

d. *In January 2009, in order to ensure that Huanggang Yadong Cement Co., Ltd. ("Huanggang Yadong") would have a reliable source of electricity, Huanggang Yadong entered into an agreement with the Huanggang City Government, pursuant to which Huanggang Yadong advanced RMB12 million to Huanggang City Government to facilitate the construction of power city lines. The amount is unsecured, non-interest bearing and will be repayable by ten equal annual instalments, upon the completion of the construction. The advance had been adjusted to its initial fair value based on the discounted cash flows on the expected receivable amount using a discount rate of 5.21%.*

31. 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 *(note a)*	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 *(note a)*	1,124,978,308	112,498	101,016
Issue of shares on 12 March 2008 *(note b)*	1,746	—	—
Issue of shares on 20 May 2008 *(note c)*	375,000,000	37,500	33,548
Issue of shares on 11 June 2008 *(note d)*	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

Notes:

(a) *Pursuant to the written resolution of the shareholder of the Company on 27 April 2008, the authorised share capital was increased to HK$1,000,000,000. The directors of the Company were also authorised to capitalise the sum of HK$112,497,831 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,124,978,308 shares for allotment and issue to the shareholder of the Company on the register of members of the Company at the close of business on 27 April 2008 (or as they may direct) in proportion (as nearly as possible without involving the issue of fractions of shares) to their then respective existing shareholdings in the Company and the directors be authorised to allot and issue such shares as aforesaid and to give effect to the capitalisation issue and the shares to be allotted and issued shall rank pari passu in all shares then in issue.*

(b) *On 12 March 2008, the Company allotted and issued 1,746 shares of HK$0.1 each to Asia Cement as additional capital of the Company at a consideration of US$40,355,900 (equivalent to approximately RMB288,495,000). The proceeds were to settle the amount due to Asia Cement who paid the purchase consideration for the acquisition of 36.84% equity interests of Sichuan Yadong to Der Ching Investment on behalf of the Group. The share issue shall rank pari passu in all shares then in issue.*

(c) *On 20 May 2008, the Company issued 375,000,000 shares pursuant to the Company's initial public offering at a price of HK$4.95 each and listing of the Company's shares on the Stock Exchange (equivalent to approximately RMB4.43 per share). The share issue shall rank pari passu in all shares then in issue.*

(d) *On 11 June 2008, the Company issued 56,250,000 shares pursuant to the Over-allotment Option referred to in the prospectus of the Company at HK$4.95 per share (equivalent to approximately RMB4.39 per share). The share issue shall rank pari passu in all shares then in issue.*

32. MAJOR NON-CASH TRANSACTIONS

(a) Staff costs paid by the Asia Cement Group

During the year end 31 December 2008, the Asia Cement Group paid approximately RMB17,893,000 to certain employees of the Asia Cement Group for their services provided to the Group.

(b) Acquisition of 36.84% equity interests in Sichuan Yadong

For the year ended 31 December 2008, the Group acquired the remaining 36.84% equity interests in Sichuan Yadong from Der Ching Investment at a consideration of US$40,355,900 (equivalent of approximately RMB290,265,000). Asia Cement paid the consideration to Der Ching Investment on behalf of the Group. The Company subsequently issued 1,746 shares of the Company to Asia Cement to settle this amount due to Asia Cement.

33. OPERATING LEASES

The Group as lessee

	2009 RMB'000	2008 RMB'000
Minimum lease payments paid under operating lease during the year	13,543	7,630

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

	2009 RMB'000	2008 RMB'000
Within one year	5,689	6,167
In the second to fifth years inclusive	12,837	17,472
After five years	47,762	59,108
	66,288	82,747

Operating lease payments represent rental payables by the Group for certain of its office premises and motor vehicles. Leases for properties are negotiated for a terms ranging from 1 to 20 years with fixed rentals over the terms of the leases. No fixed lease term for motor vehicles under operating lease arrangement.

The Group as lessor

Rental income earned was RMB3,470,000 and RMB657,000 for the year ended 31 December 2009 and 2008, respectively. The Group leases its motor vehicles under operating lease arrangement with no fixed lease term.

34. CAPITAL COMMITMENTS

	2009 RMB'000	2008 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment and land use rights contracted for but not provided in the consolidated financial statements	**500,837**	447,252

35. SHARE BASED PAYMENT TRANSACTIONS

(a) Pre-IPO Share Option Scheme

Equity-settled share option scheme:

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

During the year ended 31 December 2008, options under the Pre-IPO Share Option Scheme with 11,578,000 shares, representing approximately 0.7% of the enlarged issued share capital of the Company as at 31 December 2008 was granted. The estimated fair value of the options at the date of grant is approximately HK$26,202,000 (equivalent to approximately RMB23,547,000). For the year ended 31 December 2009, no option has been granted under Pre-IPO Share Option Scheme.

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

Category of Grantee	Date of grant	Exercise price per share	Exercisable period	Vesting date	As at 31.12.2008 and 31.12.2009
Directors	17 April 2008	HK$4.2075	17.4.2009–16.4.2014	17.4.2009	**2,013,000**
			17.4.2010–16.4.2014	17.4.2010	**2,013,000**
			17.4.2011–16.4.2014	17.4.2011	**2,074,000**
					6,100,000
Employees under continuous employment contract	17 April 2008	HK$4.2075	17.4.2010–16.4.2014	17.4.2010	**1,643,400**
			17.4.2011–16.4.2014	17.4.2011	**1,643,400**
			17.4.2012–16.4.2014	17.4.2012	**1,095,600**
			17.4.2013–16.4.2014	17.4.2013	**1,095,600**
					5,478,000
					11,578,000

No option was exercised under Pre-IPO Share Option Scheme during the year ended 31 December 2009 and 2008.

35. SHARE BASED PAYMENT TRANSACTIONS (continued)

(a) Pre-IPO Share Option Scheme (continued)

Equity-settled share option scheme (continued):

The fair value of the options granted on 17 April 2008 has been estimated using the Binomial model. The inputs into the model are as follows:

Market price	HK$4.95
Exercise price	HK$4.2075
Expected volatility	52%
Exercise multiple:	
For director	2 years
For employee	1.5 years
Risk-free rate	2.318%
Expected dividend yield	0.95%

The exercise multiple was to account for the exercise behaviour of the share options granted by the Company and the risk-free rate was based on the yield of the Hong Kong Exchange Fund Note. Expected volatility was determined by using the volatility of the Stock return of comparable listed companies as at the valuation date.

The Group recognised the total expense of approximately RMB8,196,000 (2008: approximately RMB7,748,000) for the year in relation to share options granted by the Company.

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

(b) Share Option Scheme

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

As at 31 December 2009 and 2008, no option has been granted under the Share Option Scheme.

36. RETIREMENT BENEFITS SCHEME

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

The total cost charged to the consolidated statement of comprehensive income of approximately RMB9,595,000 (2008: approximately RMB7,692,000) represents contribution payable to the schemes by the Group in respect of the current accounting period. As at 31 December 2009, contributions of RMB110,000 (2008: RMB348,000) as at 31 December 2009 had not been paid over to the schemes.

37. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and in note 24, and transactions with related parties disclosed in note 32, the Group had also entered into the following significant transactions with related parties during the year.

	2009 RMB'000	2008 RMB'000
Jointly controlled entities:		
Chengdu Ya Xin Slag Micro Powder Co. Ltd.		
— Purchase of goods	**6,300**	5,641
Wuhan Asia Marine Transport Corporation Ltd.		
— Transportation expenses	**17,847**	24,503

Compensation of key management personnel

The remuneration of directors were as follows:

	2009 RMB'000	2008 RMB'000
Short-term employee benefits	**6,651**	7,340
Equity-settled share based payment	**4,610**	5,280
Retirement benefits scheme contributions	**—**	95
	11,261	12,715

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

38. GOVERNMENT GRANTS INCOME

	2009 **RMB'000**	2008 RMB'000
Incentive subsidies *(note a)*	**7,030**	1,040
Value-added tax refund *(note b)*	**32,175**	17,074
Others *(note c)*	**12,035**	2,261
	51,240	20,375

Notes:

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

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

c. The amount includes certain incentives to attract foreign investment from the relevant PRC tax authority in the form of profit tax refunds and value added tax refunds.

39. SUBSIDIARIES

Name of subsidiaries	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2009	2008	Principal activities
Perfect Industrial Holdings Pte., Ltd.	22 May 1997	British Virgin Island ("BVI")	US$6,942,798	**100%**	100%	Investment holding
Oriental Industrial Holdings Pte., Ltd.	4 May 1994	Republic of Singapore ("Singapore")	S$672,731,448	**99.99%**	99.99%	Investment holding
Asia Continent Investment Holdings Pte., Ltd.	1 April 1995	Singapore	S$280,458,985	**99.99%**	99.99%	Investment holding
上海亞力水泥製品有限公司 Shanghai Ya Li Cement Products Co., Ltd.[2]	29 November 1995	PRC	US$15,000,000	**99.99%**	99.99%	Manufacture and sale of concrete

39. SUBSIDIARIES (continued)

Name of subsidiaries	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2009	2008	Principal activities
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd. [1]	9 October 1997	PRC	US$221,104,433	**94.99%**	94.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
武漢亞東水泥有限公司 Wuhan Ya Dong Cement Co., Ltd. [2]	29 November 1999	PRC	US$36,140,000	**99.99%**	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
江西亞利運輸有限公司 Jiangxi Ya Li Transport Co., Ltd. [1]	30 May 2000	PRC	RMB12,500,000	**97.39%**	97.39%	Provision of transportation services
上海亞福水泥製品有限公司 Shanghai Yafu Cement Products Co., Ltd. [1]	22 January 2003	PRC	RMB21,000,000	**99.99%**	99.99%	Manufacture and sale of concrete
亞東投資有限公司 Oriental Holding Co., Ltd. [2]	24 July 2003	PRC	US$62,000,000	**99.99%**	99.99%	Investment holding
南昌亞力水泥製品有限公司 Nanchang Yali Concrete Produce Ltd. [1]	9 December 2003	PRC	RMB60,000,000	**94.99%**	94.99%	Manufacture and sale of concrete
南昌亞東水泥有限公司 Nanchang Yadong Cement Co., Ltd. [1]	18 January 2004	PRC	RMB90,000,000	**72.49%**	72.49%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
湖北亞東水泥有限公司 Hubei Yadong Cement Co., Ltd. [2]	23 June 2005	PRC	US$115,700,000	**99.99%**	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products

39. SUBSIDIARIES (continued)

Name of subsidiaries	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2009	2008	Principal activities
四川亞東水泥有限公司 Sichuan Yadong Cement Co., Ltd. [2]	29 November 2004	PRC	US$143,340,000	**99.99%**	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
成都亞力水泥製品有限公司 Chengdu Yali Cement Products Co., Ltd. [2]	10 December 2004	PRC	US$4,100,000	**99.99%**	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
黃岡亞東水泥有限公司 Huanggang Yadong Cement Co., Ltd. [1]	17 August 2006	PRC	US$50,450,000 [3]	**99.99%**	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
湖北亞利運輸有限公司 Hubei Ya Li Transport Co., Ltd. [2]	23 October 2006	PRC	RMB8,000,000	**99.99%**	99.99%	Provision of transportation services
四川亞利運輸有限公司 Sichuan Ya Li Transportation Co., Ltd. [2]	18 May 2006	PRC	US$3,500,000	**99.99%**	99.99%	Provision of transportation services
揚州亞東水泥有限公司 Yangzhou Ya Dong Cement Co., Ltd. [2]	31 July 2006	PRC	US$30,448,000	**99.99%**	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川亞力水泥製品有限公司 Sichuan Yali Cement Products Co., Ltd. [2]	17 November 2005	PRC	US$3,300,000	**99.99%**	99.99%	Manufacture and sale of concrete
武漢亞力水泥製品有限公司 Wuhan Ya Li Cement Products Co., Ltd. [2]	28 December 2008	PRC	RMB20,000,000	**99.99%**	99.99%	Manufacture and sale of concrete

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

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

3. *As at 31 December 2009, the paid up registered capital is US$20,499,990. Pursuant to the articles of association of Huanggang Yadong Cement Co., Ltd. ("Huanggang Yadong"), the registered capital shall be paid in full no later than two years after the grant of the business license. The business license of Huanggang Yadong was granted on 17 August 2006.*

Group Financial Summary

RESULTS

	For the year ended 31 December				
	2005 RMB'000 *(note 1)*	2006 RMB'000 *(note 1)*	2007 RMB'000 *(note 1)*	2008 RMB'000	**2009** **RMB'000**
Revenue	1,032,857	1,352,479	2,254,590	3,248,152	**4,207,408**
Profit before tax	12,331	86,264	347,175	467,007	**696,290**
Income tax expense	(4,240)	(18,462)	(39,878)	(28,606)	**(81,004)**
Profit for the year	8,091	67,802	307,297	438,401	**615,286**
Attributable to:					
Owners of the Company	7,681	65,243	246,200	410,717	**609,966**
Minority interests	410	2,559	61,097	27,684	**5,320**
	8,091	67,802	307,297	438,401	**615,286**

ASSETS AND LIABILITIES

	At 31 December				
	2005 RMB'000 *(note 1)*	2006 RMB'000 *(note 1)*	2007 RMB'000 *(note 1)*	2008 RMB'000	**2009** **RMB'000**
Total assets	4,536,056	5,983,651	7,129,547	10,950,060	**12,659,536**
Total liabilities	1,679,452	2,497,713	2,846,584	4,359,046	**5,592,445**
	2,856,604	3,485,938	4,282,963	6,591,014	**7,067,091**
Equity attributable to:					
Owners of the Company	2,749,578	3,274,642	3,843,685	6,471,621	**6,934,158**
Minority interests	107,026	211,296	439,278	119,393	**132,933**
	2,856,604	3,485,938	4,282,963	6,591,014	**7,067,091**

Note:

1. *The figures for the three years ended 31 December 2007 have been extracted from the prospectus of the Company dated 5 May 2008.*