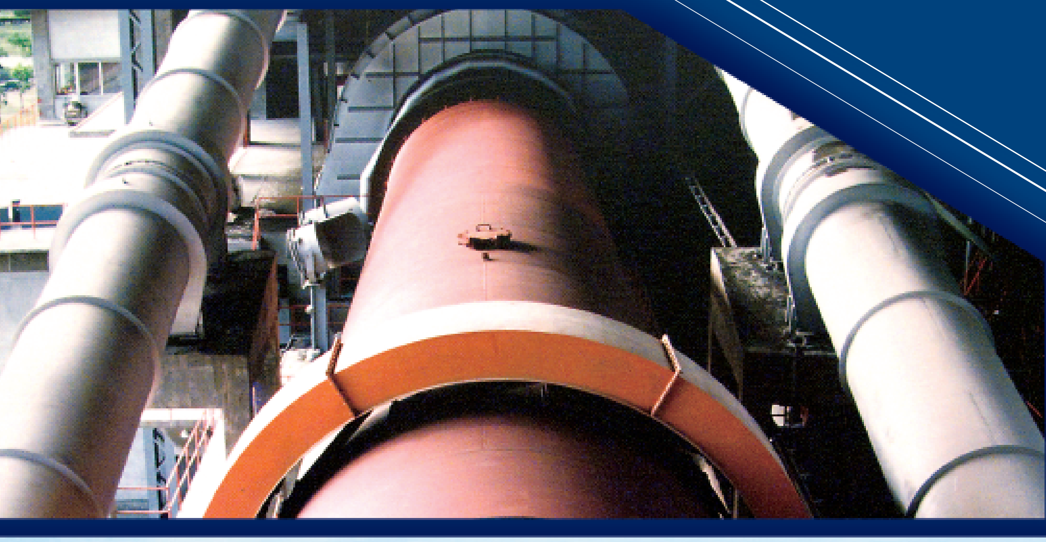
Asia Cement (China) Holdings Corporation
亞洲水泥(中國)控股公司

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



2008
Interim Report

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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

Bank of Communications
China Construction Bank
Bank of China

Compliance Adviser

CIMB-GK 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

FINANCIAL HIGHLIGHTS

Highlights of the Six Months Ended 30 June 2008

- The Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong on 20 May 2008 (Stock code: 743).

- For the first six months ended 30 June 2008, the revenue increased to RMB1,347.7 million, which represents 43% growth as compared to that of the same period in 2007. The net profit increased by 89% to RMB195.4 million compared to the same period last year.

- Basic earning per share amounted to RMB0.154, representing an increase of approximately 71% over RMB0.090 cents in the same period last year.

- Construction of No. 2 rotary kiln at Sichuan Yadong Plant and No. 1 rotary kiln at Hubei Yadong Plant are progressing for completion before the end of 2008.

- The operation of Sichuan Yadong Plant was only slightly affected by the earthquakes in Sichuan province. Both production and sales volume returned to the level that it had been prior to the earthquake.

- The Group plans to speed up the expansion plan in Sichuan by completing the construction of a third production line by the the first quarter of 2010, in order to capture an increasing market demand in Sichuan Region.

Business and Financial Review

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

The Group is one of the leading integrated cement producers in the Central Yangtze River Region (which includes the provinces of Jiangxi and Hubei) and a major integrated cement producer in the Sichuan Region (which covers Sichuan province). The Group's integrated operations ranging from the excavation of principal raw materials to the production, sale and distribution of clinker and different types of cement and RMC products through a well-established road and riverway transportation network to its principal markets. The Group's cement and RMC products are sold in Shanghai and the provinces of Jiangxi, Hubei, Sichuan, Zhejiang, Anhui and Fujian.

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

With the extensive operating experience and industry knowledge, the senior management team led the Company to overcome the adverse impact of snowstorms, the earthquake in Sichuan province and the increase of energy cost and successfully achieved its profit forecast as stated in the Prospectus.

Revenue

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

	30 June 2008 RMB'000	30 June 2007 RMB'000 (Unaudited)
Region		
Yangtze River Delta	**138,654**	116,663
Central Yangtze River	**675,319**	533,369
Sichuan Region	**519,748**	275,535
Others	**13,994**	15,099
Total	**1,347,715**	940,666

In the reporting period, the Group's revenue amounted to RMB1,347.7 million, representing an increase of RMB407.0 million or 43% over that of RMB940.7 million for the corresponding period of 2007. The increase in revenue was mainly attributable to the increase in average selling prices of the Group's products and an overall increase in total production output as a result of increased market demand and the full operation of rotary kiln No. 3 at Jiangxi Yadong Plant which commenced operation in July 2007.

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

Gross Profit and Gross Profit Margin

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

Other Income

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

Distribution Costs, Administrative Expenses and Finance Costs

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

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

The 54% increase in finance costs was mainly due to an increased interest rate and the increase in bank loans for financing the Group's expansion plan.

Net Profit

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

Financial Resources and Liquidity

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

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

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

Initial Public Offerings ("IPO")

On 20 May 2008, the Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong. The IPO was well received by investors through both the international placing and the Hong Kong public offer. On 6 June 2008, the sole global coordinator on behalf of the international underwriters exercised an Over-Allotment Option of 56,250,000 shares. A total net proceeds received by the Company from the IPO was approximately HK$2,049.83 million.

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

Foreign Exchange Risk Management

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

Material Acquisition and Disposals of Subsidiaries and Affiliated Companies

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

Major Capital Commitments

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

Contingent Liabilities

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

Human Resources

As at 30 June 2008, the Group had 2,722 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Pre-IPO Share Option Scheme and Share Option Scheme, where eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company for their past and potential contribution to the growth of the Group. As at 30 June 2008, about 11,578,000 share options were granted under the Pre-IPO Share Option Scheme and no share options have been exercised yet. Also, as at 30 June 2008, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Future Prospects

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

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

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

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

— Strengthen the Group's market position in its key regional markets through capacity expansion and leverage its strengths to increase its market share in other markets;

— Increase sales and marketing activities and strengthen the Group's distribution network;

— Improve operational efficiency in the Group's production process, transportation and logistics network; and

— Upgrade the Group's product quality in order to meet customer preference through further product and process development.

Disclosure of Interests

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2008, 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	Capacity and nature of interest	No. of Shares (Note 1)	Percentage of the Company's issued share capital
Mr. Chang, Tsai-hsiung	Beneficial owner	1,500,000	0.10%
Madam Chiang Shao, Ruey-huey	Beneficial owner	400,000	0.03%
Mr. Hsu, Shu-tong	Beneficial owner	3,000,000	0.19%
Mr. Chang, Chen-kuen	Beneficial owner	400,000	0.03%
Mr. Lin, Seng-chang	Beneficial owner	400,000	0.03%
Mr. Wu, Chung-lih	Beneficial owner	400,000	0.03%

Note:

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

Long positions in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Type of interest: Personal	Through spouse	Corporate	No. of shares in the associated corporation	Percentage of shareholding in the associated corporation
Mr. Chang, Tsai-hsiung	Asia Cement Corporation ("Asia Cement")	373,705	43,846	—	417,551	0.02%
	Oriental Industrial Holdings Pte., Ltd ("Oriental Industrial")	2,000	—	—	2,000	0.0007%
Madam Chiang Shao, Ruey-huey	Asia Cement	62,330	1,990	—	64,320	0.002%
	Oriental Industrial	1,000	—	—	1000	0.0003%
Mr. Hsu, Shu-tong	Asia Cement	18,283,568	7,409,617	—	25,693,085	0.94%
	Asia Cement (Singapore) Private Limited ("Asia Cement Singapore")	2	—	—	2	0.00002%
	Oriental Industrial	4,000	—	—	4,000	0.001%
Mr. Chang, Chen-kuen	Asia Cement	55,150	4,040	—	59,190	0.002%
Mr. Lin, Seng-chang	Asia Cement	3,963	734	—	4,697	0.0002%

Saved as disclosed above, as at 30 June 2008, 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.

Substantial Shareholders' Interest in Securities

As at 30 June 2008, 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%
Asia Cement (note 1)	Beneficial owner and interest by attribution	1,061,209,202	72.29%
Far Eastern Textile Ltd. (note 2)	Interest by attribution	1,125,000,000	72.29%
J.P. Morgan Chase & Co. (note 3)	Beneficial owner, investment manager and custodian corporation	113,021,500	7.26%

Notes:

1. *Asia Cement beneficially owns approximately 68.19% interest of the Company. Asia Cement Singapore is approximately 99.96% owned by Asia Cement. Asia Cement is also deemed to be interested in approximately 4.10% interest of the Company by virtue of its corporate interest in Asia Cement Singapore.*

2. *Far Eastern Textile Ltd is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Asia Cement.*

3. *The shares held by J.P. Morgan Chase & Co. are held in the capacity as beneficial owner (relating to 1,000,000 shares), investment manager (relating to 75,237,500 shares) and custodian corporation/ approved lending agent (relating to 36,784,000 shares).*

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 30 June 2008, 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%

(iii) The eligible persons 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 30 June 2008 which have been granted under the Pre-IPO Share Option Scheme are as follows:

Name	Date of Grant	Options outstanding at 1 January 2008	Granted during the period	Options exercised during the period	Option lapsed on expiry	Options cancelled upon termination of employment	Option outstanding at 30 June 2008
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

Pursuant to the Share Option Scheme adopted by the Company on 9 June 2007, 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 the date of this report, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Corporate Governance

During the six months ended 30 June 2008, the Company has compiled with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

Audit Committee

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

The audited interim consolidated financial statements of the Group for the six months ended 30 June 2008 have been reviewed by the Audit Committee of the Company.

Remuneration Committee

The Company established the Remuneration Committee on 27 April 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set forth in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee include the review of Directors' and senior management's remuneration packages, bonuses and other compensation. Currently, the Remuneration committee comprises Mr. Hsu, Shu-tong (Chairman), Mr. Tsim, Tak-lung Dominic and Dr. Wong Ying-ho Kennedy, all of whom are non-executive directors and the majority of whom are independent non-executive Directors.

Independence Committee

The Company established the Independence Committee on 27 April 2008. The primary duties of the Independence Committee include the review of transactions between the Group, Asia Cement and Far Eastern Group and assess any potential conflict of interests between them. 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 in the period under review.

Model Code of Securities Transactions by Directors

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors (the "Code"). The Company, having made specific enquiry of all Directors, confirms that its Directors had compiled with the required standard set out in the Code throughout the six months ended 30 June 2008.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Appreciation

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

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

Hong Kong, 31 July 2008

Deloitte.
德勤

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Hong Kong

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 19 to 78, which comprise the consolidated balance sheet as at 30 June 2008 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2008, 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 30 June 2008 and of the Group's profit and cash flows for the six months ended 30 June 2008 in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw your attention to the fact that the corresponding figures set out in the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and the related notes for the six months ended 30 June 2007 have not been audited.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
31 July 2008

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Note	Six months ended 30 June 2008 RMB'000	Six months ended 30 June 2007 RMB'000 (Unaudited)
Revenue	*7*	**1,347,715**	940,666
Cost of sales		**(915,449)**	(712,920)
Gross profit		**432,266**	227,746
Other income	*9*	**47,974**	52,017
Distribution costs		**(84,580)**	(66,096)
Administrative expenses		**(110,568)**	(48,418)
Share of results of jointly controlled entities		**19**	(709)
Finance costs	*10*	**(70,759)**	(46,096)
Profit before tax		**214,352**	118,444
Income tax expense	*11*	**(18,981)**	(14,833)
Profit for the period	*12*	**195,371**	103,611
Attributable to:			
Equity holders of the Company		**171,814**	84,711
Minority interests		**23,557**	18,900
		195,371	103,611
		RMB	RMB
Earnings per share	*15*		
Basic		**0.154**	0.090
Diluted		**0.154**	N/A

CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Note	30 June 2008 RMB'000	31 December 2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**5,792,720**	4,898,567
Quarry	17	**68,628**	57,503
Prepaid lease payments	18	**283,805**	285,793
Interests in jointly controlled entities	19	**28,206**	28,187
Deposits paid for purchase of land use rights		**168,295**	96,295
Deferred tax assets	27	**9,855**	6,999
Long term receivables	28	**25,580**	29,518
		6,377,089	5,402,862
CURRENT ASSETS			
Inventories	20	**394,391**	279,712
Available-for-sale investments	21	**119,635**	125,689
Long term receivables — due within one year	28	**9,236**	1,890
Trade and other receivables	22	**679,126**	580,208
Prepaid lease payments	18	**7,119**	7,075
Amounts due from related companies	24	**—**	1,332
Restricted bank deposits	23	**102,027**	110,563
Time deposits	23	**20,193**	—
Bank balances and cash	23	**2,745,779**	620,216
		4,077,506	1,726,685
CURRENT LIABILITIES			
Trade and other payables	25	**442,596**	343,420
Amounts due to related companies	24	**4,670**	6,394
Tax payables		**4,374**	20,825
Bank borrowings — due within one year	26	**916,021**	654,004
		1,367,661	1,024,643
NET CURRENT ASSETS		**2,709,845**	702,042
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,086,934**	6,104,904

CONSOLIDATED BALANCE SHEET (continued)

At 30 June 2008

	Note	**30 June 2008 RMB'000**	31 December 2007 RMB'000
NON-CURRENT LIABILITIES			
Bank borrowings — due after one year	*26*	**2,734,869**	1,818,543
Deferred tax liabilities	*27*	**4,661**	3,398
		2,739,530	1,821,941
NET ASSETS		**6,347,404**	4,282,963
CAPITAL AND RESERVES			
Share capital	*29*	**139,549**	2
Reserves		**6,089,501**	3,843,683
Equity attributable to equity holders of the Company		**6,229,050**	3,843,685
Minority interests		**118,354**	439,278
TOTAL EQUITY		**6,347,404**	4,282,963

The consolidated financial statements on pages 19 to 78 were approved and authorised for issue by the Board of Directors on 31 July 2008 and are signed on its behalf by:

Chang, Tsai-hsiung
DIRECTOR

Chiang Shao, Ruey-huey
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to equity holders of the Company										
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000 (Note a)	Other reserves RMB'000	Special reserve RMB'000	Revaluation reserve RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2007 (audited)	2	1,082,281	67,172	238,125	1,623,254	74	—	263,734	3,274,642	211,296	3,485,938
Gain on fair value change of available-for-sale investments recognised directly in equity	—	—	—	—	—	2,755	—	—	2,755	—	2,755
Profit for the year	—	—	—	—	—	—	—	246,200	246,200	61,097	307,297
Release upon disposal of available-for-sale investments	—	—	—	—	—	(1,140)	—	—	(1,140)	—	(1,140)
Total recognised income for the year	—	—	—	—	—	1,615	—	246,200	247,815	61,097	308,912
Issue of new shares	—	294,785	—	—	—	—	—	—	294,785	—	294,785
Contributions from Asia Cement (Note b)	—	—	—	25,441	—	—	—	—	25,441	—	25,441
Appropriations	—	—	39,188	—	—	—	—	(39,188)	—	—	—
Dividends (Note c)	—	—	—	—	—	—	—	—	—	(2,366)	(2,366)
Capital contributions from a minority shareholder (Note d)	—	—	—	—	(3,577)	—	—	—	(3,577)	169,251	165,674
Waiver of advances from Asia Cement (Note e)	—	—	—	4,579	—	—	—	—	4,579	—	4,579
At 31 December 2007 (audited)	2	1,377,066	106,360	268,145	1,619,677	1,689	—	470,746	3,843,685	439,278	4,282,963
Gain on fair value change of available-for-sale investments recognised directly in equity	—	—	—	—	—	1,550	—	—	1,550	—	1,550
Profit for the period	—	—	—	—	—	—	—	171,814	171,814	23,557	195,371
Release upon disposal of available-for-sale investments	—	—	—	—	—	(1,404)	—	—	(1,404)	—	(1,404)
Total recognised income for the period	—	—	—	—	—	146	—	171,814	171,960	23,557	195,517
Capitalisation issue	101,016	(101,016)	—	—	—	—	—	—	—	—	—
Issue of shares via capitalisation of amount due to the immediate holding company (Note d)	—	288,495	—	—	—	—	—	—	288,495	—	288,495
Issue of new shares for cash	38,531	1,868,841	—	—	—	—	—	—	1,907,372	—	1,907,372
Cost of issue new shares	—	(56,816)	—	—	—	—	—	—	(56,816)	—	(56,816)
Contributions from Asia Cement (Note b)	—	—	—	17,893	—	—	—	—	17,893	—	17,893
Share-based payment	—	—	—	—	—	—	2,245	—	2,245	—	2,245
Acquisition of minority interest (Note d)	—	—	—	—	54,216	—	—	—	54,216	(344,481)	(290,265)
At 30 June 2008 (audited)	139,549	3,376,570	106,360	286,038	1,673,893	1,835	2,245	642,560	6,229,050	118,354	6,347,404

	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	**Special reserve** RMB'000	**Revaluation reserve** RMB'000	**Share option reserve** RMB'000	**Retained profits** RMB'000	**Sub-total** RMB'000	**Minority interests** RMB'000	**Total** RMB'000
At 1 January 2007 (audited)	2	1,082,281	67,172	238,125	1,623,254	74	—	263,734	3,274,642	211,296	3,485,938
Profit for the period	—	—	—	—	—	—	—	84,711	84,711	18,900	103,611
Release upon disposal of available-for-sale investments	—	—	—	—	—	34	—	—	34	—	34
Total recognised income for the period	—	—	—	—	—	34	—	84,711	84,745	18,900	103,645
Contributions from Asia Cement (Note b)	—	—	—	19,609	—	—	—	—	19,609	—	19,609
Appropriations	—	—	331	—	—	—	—	(331)	—	—	—
Capital contributions from a minority shareholder (Note d)	—	—	—	—	(3,577)	—	—	—	(3,577)	166,272	162,695
At 30 June 2007 (unaudited)	2	1,082,281	67,503	257,734	1,619,677	108	—	348,114	3,375,419	396,468	3,771,887

Notes:

a. *In accordance with the relevant laws and regulations of the People's Republic of China (the "PRC"), 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. *During the year ended 31 December 2007 and the six months ended 30 June 2008, the immediate holding company, Asia Cement Corporation ("Asia Cement") and its subsidiaries other than the Group (the "Asia Cement Group") paid the remuneration of certain employees of the Asia Cement Group for their services provided to the Group (the "Payments"). The Payments were not recharged to the Group and, therefore, the Payments are treated as capital contributions from Asia Cement.*

c. *The amounts represent dividends paid by certain subsidiaries of the Company to minority shareholders of those subsidiaries.*

Notes: (continued)

d. *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. 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 of approximately RMB3,577,000 was accounted for as deemed distribution to Asia Cement.*

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. 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 the amount due to Asia Cement.

e. *The amount represents 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.*

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

		Six months ended	
	Note	**30 June 2008 RMB'000**	30 June 2007 RMB'000 (Unaudited)
OPERATING ACTIVITIES			
Profit before tax		**214,352**	118,444
Adjustments for:			
Allowance for doubtful debts, net		**4,742**	150
Depreciation and amortisation		**169,342**	133,664
Interest expenses		**70,759**	46,096
Loss (gain) on disposal of property, plant and equipment		**71**	(28,789)
(Gain) loss on disposal of available-for-sale investments		**(1,404)**	34
Interest income		**(14,068)**	(13,623)
Share of results of jointly controlled entities		**(19)**	709
Share-based payment		**2,245**	—
Exchange gain arising from acquisition of minority interest		**(1,770)**	—
Salaries and other benefits paid by Asia Cement Group		**17,893**	19,609
Operating cash flows before movements in working capital		**462,143**	276,294
Increase in inventories		**(114,679)**	(68,555)
Increase in trade and other receivables		**(108,283)**	(41,300)
Decrease (increase) in amounts due from related companies		**1,332**	(5,033)
Increase in trade and other payables		**66,295**	37,910
Increase in amounts due to related companies		**72**	5,803
Cash generated from operations		**306,880**	205,119
Income taxes paid		**(37,025)**	(18,376)
NET CASH FROM OPERATING ACTIVITIES		**269,855**	186,743

CONSOLIDATED CASH FLOW STATEMENT (continued)

For the six months ended 30 June 2008

	Note	Six months ended 30 June 2008 RMB'000	30 June 2007 RMB'000 (Unaudited)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,005,986)**	(690,113)
Purchase of land use rights		**(1,641)**	(10,492)
Increase in deposits paid for purchase of land use rights		**(72,000)**	(9,033)
Increase in time deposits		**(20,193)**	—
Proceeds on disposal of property, plant and equipment		**8,438**	16,612
Purchase of quarry		**(12,349)**	(1,900)
Acquisition of available-for-sale investments		**(251,800)**	(35,534)
Proceeds on disposal of available-for-sale investments		**259,404**	3,000
Decrease in restricted bank deposits		**8,536**	27,563
Increase in long term receivables		**(3,000)**	(5,000)
Receipts from government for relocation compensation		**—**	20,100
Interest received		**14,142**	13,623
NET CASH USED IN INVESTING ACTIVITIES		**(1,076,449)**	(671,174)
FINANCING ACTIVITIES			
Proceeds from issue of new shares, net of share issue costs		**1,850,556**	—
Capital contributions from a minority shareholder		**—**	162,695
Bank borrowings raised		**1,452,069**	716,721
Repayments of borrowings		**(269,585)**	(590,427)
Advances from Asia Cement		**—**	78,820
Repayments of advances to Asia Cement		**(1,796)**	—
Interest paid		**(99,087)**	(65,452)
NET CASH FROM FINANCING ACTIVITIES		**2,932,157**	302,357
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,125,563**	(182,074)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**620,216**	800,199
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash		**2,745,779**	618,125

1. General Information

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

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

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

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

2. Application of New and Revised International Financial Reporting Standards

In the current period, the Group has applied all of the applicable new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs") amendments and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB (collectively referred to as "New IFRSs") that are effective for the financial year beginning on 1 January 2008. The adoption of the New IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

At the date of this report, the IASB have issued the following new and revised IASs, IFRSs, amendments and interpretations which are not yet effective. The Group has not early adopted these new standards, amendments and interpretations in the preparation of the consolidated financial statements for the period.

2. Application of New and Revised International Financial Reporting Standards (continued)

IFRSs (Amendments)	Improvements to IFRSs[1]
IAS 1 (Revised)	Presentation of Financial Statements[2]
IAS 23 (Revised)	Borrowing Costs[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combinations[3]
IFRS 8	Operating Segments[2]
IFRIC 13	Customer Loyalty Programmes[4]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2009

[3] Effective for annual periods beginning on or after 1 July 2009

[4] Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group except for the adoption of IFRS 3 (Revised) "*Business Combinations*" and IAS 27 (Revised) "*Consolidated and Separate Financial Statements*". IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the annual period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

3. Significant Accounting Policies

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. 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.

3. Significant Accounting Policies (continued)

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 income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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 as 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 fair value 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 balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity 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, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Property, plant and equipment

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

Depreciation is charged 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 their estimated residual value, using the straight-line method.

Construction in progress represents 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 income statement in the year 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 the consolidated income statement 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.

3. Significant Accounting Policies (continued)

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 losses on tangible and intangible assets

At each balance sheet date, 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.

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 cost method.

Revenue recognition

Revenue is measured at 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.

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 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 right to receive payment has been established.

3. Significant Accounting Policies (continued)

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss 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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the 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, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantively ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

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

3. Significant Accounting Policies (continued)

Government grants (continued)

Government grants whose primary condition is that the Group should purchase or construct non-current assets are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income 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 services 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 period. Taxable profit differs from profit as reported in the consolidated income statement 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 balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. 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 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 which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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.

3. Significant Accounting Policies (continued)

Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet 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 and 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 include 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 on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the asset on initial recognition. Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, long term receivables, amounts due from related parties and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories financial assets at fair value through profit or loss, loans and receivables or held-to maturity investments. The Group designated the unlisted debt securities as available-for-sales financial assets on initial recognition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in the consolidated income statement (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. 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 impacted.

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 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, 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 trade and other receivables are considered uncollectible, their carrying amounts are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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 entity after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

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 to the net carrying amount of the liability on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including borrowings, trade and other payables and amounts due to related parties) 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 some shares and listing of shares are allocated using a basis of allocation that is rational and consistent with similar transactions.

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 directly in equity 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 options reserve).

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

4. Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at 30 June 2008, 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

In making the estimations, management considered detailed procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discuss with the relevant customers and report on the recoverability, specific allowance is only made for trade receivables that are unlikely to be collected. In this regard, the directors of the Company are satisfied that this risk is minimal and adequate allowance for doubtful debts has been made in the financial statements in light of the historical records of the Group.

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 capital structure of the Group consist of debts that include bank borrowings as disclosed in note 26, net of bank balances and equity attributable to equity holders of the Company, comprising issued share capital and 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 issue of new shares, new debts or the redemption of existing debts.

6. Financial Instruments

a. Categories of financial instruments

	30 June 2008 RMB'000	31 December 2007 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**3,451,165**	1,253,724
Available-for-sale investments	**119,635**	125,689
Financial liabilities		
Amortised cost	**3,988,960**	2,730,100

b. Financial risk management objectives and policies

The Group's major financial instruments include 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. It is, and has been throughout the year, the Group's policy not to enter into trading of financial instruments including derivative transactions.

The risks associated with these financial instruments and 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 30 June 2008, 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 balance sheet.

In order to minimise the credit risk, management 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 each balance sheet date 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.

6. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group is exposed to concentration credit risk in relation to the available-for-sale investments because these are investment funds which invest in bonds issued by government, central bank, banks and corporate entities in the PRC. In addition, the Group is also exposed to the concentration of credit risk in relation to the long term receivables from Ruichang City Government and the Wuhan City Government (see notes 21 and 28 for details of these available-for-sale investments and long term receivables). 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.

Market risks

The Group's activities expose it primarily to price risk of investment funds, interest rate risk and foreign currency rate risk. Market risk exposures are further measured by sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk. Details of each type of market risks are described as follows:

(i) **Price risk**

The Group's available-for-sale investments that represent units in investment funds managed by investment fund managers are measured at fair value based on the valuation provided by the investment fund managers with reference to the underlying assets of the funds at each balance sheet date. Therefore, the Group is exposed to price risk. The Group has not used any financial instruments to hedge against price risk. However, the management monitors the price risk exposure and will consider hedging significant price risk exposure should the need arise. If the prices of the respective units in investment funds had been 5% higher/lower, the revaluation reserve of the Group as at 30 June 2008 would increase/decrease by approximately RMB5,890,000 (30 June 2007 (unaudited): approximately RMB3,180,000) as a result of the change in fair value of the available-for-sale investments.

(ii) **Interest rate risk**

The Group's fair value interest rate risk relates primarily to bank deposits and fixed-rate borrowings and the Group's cash flow interest rate risk relates primarily to variable-rate borrowings and bank balances (see notes 23 and 26 for details of these bank deposits and borrowings). 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.

6. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(ii) **Interest rate risk (continued)**

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity and interest risk table section of this note.

Interest rate sensitivity analysis

The sensitivity analysis have been determined based on the exposure to interest rates for variable-rate borrowings and bank balance at the balance sheet date and the stipulated change taking place at the beginning of the financial period and held constant throughout the six-month period ended 30 June 2008 in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

Borrowings

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit after tax for the six-month period ended 30 June 2008 would decrease/increase by approximately RMB6,604,000 (six months ended 30 June 2007 (unaudited): RMB7,732,000). This is mainly attributable to the Group's exposure to the interest rates on its variable-rate borrowings.

Bank Balance

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit after tax for the six-month period ended 30 June 2008 would increase/decrease by approximately RMB1,248,520 (six months ended 30 June 2007 (unaudited): RMB283,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank balance.

(iii) **Currency risk**

Certain bank deposits and bank borrowings 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. The Group has not used any financial instruments to hedge against currency risk. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

6. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(iii) Currency risk (continued)

Foreign currency sensitivity

The following table details the Group's sensitivity to a 5% increase and decrease in Renminbi against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis represents the bank deposits and bank borrowings where the denomination are in United States dollars, Euro and Hong Kong dollars, the major foreign currency risk. A positive number indicates an increase in profit for the period and vice versa.

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000 (Unaudited)
US dollars		
— if Renminbi weakens against US dollars	**55,802**	(2,323)
— if Renminbi strengthens against US dollars	**(55,802)**	2,323
Euros		
— if Renminbi weakens against Euros	**824**	796
— if Renminbi strengthens against Euros	**(824)**	(796)
Hong Kong dollars		
— if Renminbi weakens against HK dollars	**10,499**	(1,372)
— if Renminbi strengthens against HK dollars	**(10,499)**	1,372

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the period end exposure does not reflect the exposure during the period.

6. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities at each balance sheet dates. 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 difference between "Total undiscounted cash flows" column and the "Total carrying amount at the balance sheet date" column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet. The weighted average effective interest rate for the variable interest rates borrowings has been calculated using the interest rates prevailing at the balance sheet date.

	Weighted average effective 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 the balance sheet date RMB'000
As at 30 June 2008								
Trade and other payables	—	317,734	15,666	—	—	—	333,400	333,400
Amounts due to related companies	—	4,670	—	—	—	—	4,670	4,670
Variable interest rates borrowings	6.12	110,935	343,163	920,962	1,936,094	451,316	3,762,470	3,195,890
Fixed interest rates borrowings	6.84	195,962	270,987	—	—	—	466,949	455,000
		629,301	629,816	920,962	1,936,094	451,316	4,567,489	3,988,960
At 31 December 2007								
Trade and other payables	—	232,987	18,120	52	—	—	251,159	251,159
Amounts due to related companies	—	6,394	—	—	—	—	6,394	6,394
Variable interest rates borrowings	6.37	212,239	297,983	565,281	1,300,076	288,308	2,663,887	2,313,406
Fixed interest rates borrowings	6.12	143,164	21,254	—	—	—	164,418	159,141
		594,784	337,357	565,333	1,300,076	288,308	3,085,858	2,730,100

6. Financial Instruments (continued)

c. Fair value

The fair value of financial assets and financial liabilities carried at amortised cost in the consolidated balance sheet is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. Please refer to note 21 in respect of the basis for determining the fair value of available-for-sale investments.

The directors of the Company consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their corresponding fair values.

7. Revenue

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

	Six months ended	
	30 June 2008 RMB'000	30 June 2007 RMB'000 (Unaudited)
Sales of cement products and related products	**1,215,248**	890,485
Sales of concrete	**132,467**	50,181
	1,347,715	940,666

8. Business and Geographical Segments

Business segment

The business activities of the Group can be categorised into cement business (including cement products, clinker, blast-furnace slag power and related products) and concrete business (including RMC). Inter-segment sales were charged at market price or, where no market price was available, at cost plus a percentage of profit mark-up. Segment Information in respect of these activities is as follows:

For the six months ended 30 June 2008

	Cement business RMB'000	Concrete business RMB'000	Elimination RMB'000	Consolidated RMB'000
Consolidated Income Statement				
Revenue				
External sales	1,215,248	132,467	—	1,347,715
Inter-segment sales	33,242	6,380	(39,622)	—
Total	1,248,490	138,847	(39,622)	1,347,715
Result				
Segment result	312,786	3,152		315,938
Unallocated income				34,414
Unallocated expense				(65,260)
Share of results of jointly controlled entities				19
Finance costs				(70,759)
Profit before tax				214,352
Income tax expense				(18,981)
Profit for the period				195,371

8. Business and Geographical Segments (continued)

Business segment (continued)

For the six months ended 30 June 2008 (continued)

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Consolidated RMB'000
Other Information				
Capital expenditure	1,024,245	52,622	4,318	1,081,185
Depreciation and amortisation	152,788	12,431	4,123	169,342
Loss (gain) on disposal of property, plant and equipment	81	—	(10)	71
Allowance for doubtful debts, net of reversal	4,343	399	—	4,742
Gain on disposal of available-for-sale investments	—	—	(1,404)	(1,404)

For the six months ended 30 June 2007

	Cement business RMB'000 (Unaudited)	Concrete business RMB'000 (Unaudited)	Elimination RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Consolidated Income Statement				
Revenue				
External sales	890,485	50,181	—	940,666
Inter-segment sales	9,506	—	(9,506)	—
Total	899,991	50,181	(9,506)	940,666
Result				
Segment result	123,746	492		124,238
Unallocated income				49,629
Unallocated expense				(8,618)
Share of results of jointly controlled entities				(709)
Finance costs				(46,096)
Profit before tax				118,444
Income tax expense				(14,833)
Profit for the period				103,611

8. Business and Geographical Segments (continued)

Business segment (continued)

For the six months ended 30 June 2007 (continued)

	Cement business RMB'000 (Unaudited)	Concrete business RMB'000 (Unaudited)	Unallocated RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Other Information				
Capital expenditures	629,919	60,489	15,045	705,453
Depreciation and amortisation	122,348	8,143	3,173	133,664
(Gain) loss on disposal of property, plant and equipment	(86)	(28,751)	48	(28,789)
Allowance for doubtful debts, net of reversal	—	150	—	150
Loss on disposal of available-for-sale investments	—	—	34	34

At 30 June 2008

	Cement business RMB'000	Concrete business RMB'000	Consolidated RMB'000
Consolidated balance sheet			
Assets			
Segment assets	6,946,388	384,503	7,330,891
Unallocated corporate assets			3,123,704
Consolidated total assets			10,454,595
Liabilities			
Segment liabilities	363,332	48,528	411,860
Unallocated corporate liabilities			3,695,331
Consolidated total liabilities			4,107,191

8. Business and Geographical Segments (continued)

Business segment (continued)

At 31 December 2007

	Cement business RMB'000	Concrete business RMB'000	Consolidated RMB'000
Consolidated balance sheet			
Assets			
Segment assets	5,861,803	302,610	6,164,413
Unallocated corporate assets			965,134
Consolidated total assets			7,129,547
Liabilities			
Segment liabilities	287,686	35,445	323,131
Unallocated corporate liabilities			2,523,453
Consolidated total liabilities			2,846,584

Geographical segment

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

9. Other Income

	Six months ended	
	30 June 2008 RMB'000	30 June 2007 RMB'000 (Unaudited)
Government grant (Note 36)	**8,227**	2,489
Gain on disposal of property, plant and equipment	**—**	28,789
Interest income	**14,068**	13,623
Transportation fee income	**5,851**	3,776
Sales of scrap materials	**3,393**	2,019
Rental income, net of outgoings	**815**	123
Tax refund (Note)	**12,321**	—
Others	**3,299**	1,198
	47,974	52,017

Note: In November 2007, the Group increased its investments in certain subsidiaries by capitalising retained earnings of approximately RMB121,647,000 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. The tax refund has been recognised as other income upon receipt of the tax refund notice in the current period.

10. Finance Costs

	Six months ended	
	30 June 2008 RMB'000	30 June 2007 RMB'000 (Unaudited)
Interests on bank borrowings:		
— Wholly repayable within five years	**87,283**	56,125
— Not wholly repayable within five years	**6,183**	8,240
Total borrowing costs	**93,466**	64,365
Less: Interest capitalised	**(22,707)**	(18,269)
	70,759	46,096

10. Finance Costs (continued)

Borrowings costs capitalised during the six months ended 30 June 2008 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.16% (six months ended 30 June 2007 (unaudited): 4.56%).

11. Income Tax Expense

	Six months ended	
	30 June 2008 RMB'000	30 June 2007 RMB'000 (Unaudited)
The tax expense comprises:		
Current tax:		
PRC enterprise income tax	**22,023**	15,217
— Overprovision in prior years	**(1,493)**	—
— Tax in other jurisdictions	**44**	164
	20,574	15,381
Deferred tax (note 27)	**(1,593)**	(548)
	18,981	14,833

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

Prior to 1 January 2008, according to PRC tax laws and regulations, in general, the PRC companies should be liable to pay enterprise income tax at the rate of 33% on their assessable income except where existing laws, administrative regulations or any other relevant regulations promulgated by the PRC State Council provide for tax exemptions or other relief. Certain PRC subsidiaries of the Group enjoyed preferential rates ranging from 15%-24% because they are foreign investment enterprises located in the respective regions.

Pursuant to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries, other than Hubei Ya Li Transportation Co., Ltd and Oriental Holding Co., Ltd, were exempted from PRC Foreign Enterprise Income Tax ("FEIT") for the first two years starting from their first profit-making year after offsetting the accumulated losses brought forward from previous years, followed by a 50% reduction on the FEIT for the next three years.

11. Income Tax Expense (continued)

On 16 March 2007, the PRC promulgated the new PRC Enterprise Income Tax Law (the "New Law") by Order No. 63 of the President of the PRC. Under the New Law, the enterprise income tax for both domestic and foreign-invested enterprises will be unified at 25% effective from 1 January 2008. There will be a transitional period for PRC subsidiaries that currently are entitled to preferential tax treatments granted by the relevant tax authorities. PRC subsidiaries currently subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower tax rate and be gradually transitioned to the new unified rate of 25% within five years after 1 January 2008. PRC subsidiaries that were entitled to Tax Holidays for a fixed term may continue to enjoy such treatment until the fixed term expires. On 26 December 2007, the State Council of the PRC issued a circular of Guofa 2007 No. 39 — Notice of the State Council Concerning Implementation of Transitional Rules for Enterprise Income Tax Incentives ("Circular 39"). The New Law and the Circular 39 will change the applicable tax rate for certain PRC subsidiaries from the preferential rate of 15% to 18%, 20%, 22%, 24% and 25% for the years ending 31 December 2008, 2009, 2010, 2011 and 2012 respectively, and from 24% to 25% directly from 1 January 2008. Further, the State Administration of Taxation and Minister of Finance jointly issued a circular of Caishui 2008 No. 21 to further clarify that, effective 2008, preferential tax rates which are allowed to be enjoyed by qualified enterprise until its expiry shall be the transitional rates as stipulated under Circular 39. The effect of this change has been reflected in the calculation of deferred taxation as at 31 December 2007.

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

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

11. Income Tax Expense (continued)

The tax expense for the period can be reconciled to the profit before tax as follows:

	Six months ended	
	30 June 2008 RMB'000	30 June 2007 RMB'000 (Unaudited)
Profit before tax	**214,352**	118,444
Tax at the PRC tax rate of 25% (six months ended 30 June 2007: 15%)	**53,588**	17,767
Tax effect of expenses not deductible for tax purposes	**15,817**	1,670
Tax effect of different tax rate of subsidiaries	**3,619**	2,225
Tax effect of share of results of jointly controlled entities	**(5)**	107
Tax effect of income not taxable for tax purposes	**(3,155)**	—
Effect of tax exemption granted to PRC subsidiaries	**(50,673)**	(6,610)
Overprovision of taxation in prior year	**(1,493)**	—
Tax effect of tax loss not recognised	**1,283**	—
Tax effect of utilisation of tax losses not previously recognised	**—**	(326)
Tax expense for the period	**18,981**	14,833

Tax rate of 25% (six months ended 30 June 2007: 15%) is adopted for the tax reconciliation as such tax rate is applicable to most of the Group's operation in the PRC for the period.

Details of movements in deferred tax have been set out in note 27.

12. Profit for the Period

	Six months ended	
	30 June 2008 RMB'000	30 June 2007 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (Note 13)		
Salaries and other benefits	**76,273**	51,495
Retirement benefits scheme contributions	**3,204**	2,368
Total staff costs	**79,477**	53,863
Depreciation and amortisation		
— Property, plant and equipment	**164,533**	129,467
— Prepaid lease payments	**3,585**	2,991
— Quarry	**1,224**	1,206
	169,342	133,664
Auditor's remuneration	**2,842**	1,002
Listing expenses	**14,381**	—
Allowance for doubtful debts, net of reversal	**4,742**	150
Exchange loss, net (included in administrative expenses)	**22,777**	4,489
Loss (gain) on disposal of property, plant and equipment	**71**	(28,789)
(Gain) loss on disposal of available-for-sale investments	**(1,404)**	34

13. Directors' and Employees' Emoluments

(a) Directors' emoluments

The emoluments paid or payable to each director for the six months ended 30 June 2008 are set out below:

Six months ended 30 June 2008

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payment RMB'000	Total RMB'000
Mr. Hsu, Shu-tong	35	164	—	743	942
Mr. Chang, Tsai-hsiung	35	261	—	372	668
Madam Chiang, Shao Ruey-huey	35	1,125	—	99	1,259
Mr. Chang, Chen-kuen	35	1,160	—	99	1,294
Mr. Lin, Seng-chang	35	1,153	—	99	1,287
Mr. Wu, Chung-lih	35	268	—	99	402
Mr. Liu, Zhen-tao	35	—	—	—	35
Mr. Lei, Qian-zhi	35	—	—	—	35
Mr. Tsim, Tak-lung Dominic	35	—	—	—	35
Mr. Wong, Ying-ho Kennedy	35	—	—	—	35
	350	4,131	—	1,511	5,992

Six months ended 30 June 2007

	Directors' fee RMB'000 (Unaudited)	Salaries and other benefits RMB'000 (Unaudited)	Retirement benefits scheme contributions RMB'000 (Unaudited)	Share-based payment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Mr. Hsu, Shu-tong	—	68	—	—	68
Mr. Chang, Tsai-hsiung	—	147	—	—	147
	—	215	—	—	215

None of the directors waived any emoluments for both periods.

13. Directors' and Employees' Emoluments (continued)

(b) Five highest paid employees' emoluments

For the six months ended 30 June 2008, the five highest paid individuals are all directors of the Company. For the six months ended 30 June 2007, the five highest paid individuals included one director, details of whose emoluments are set out in (a) above. The emoluments of the remaining four individuals with the highest emoluments during that period were as follows:

	Six months ended 30 June 2007 RMB'000 (Unaudited)
Salaries and other benefits	3,146
Retirement benefits scheme contributions	—
	3,146

The emoluments of each of the above five individuals are within the following bands:

	30 June 2008 Number of employees	30 June 2007 Number of employees (Unaudited)
Nil to HK$1,000,000	**2**	4
HK$1,000,001–HK$1,500,000	**3**	1
	5	5

14. Dividends

No dividend was paid or proposed during the six months ended 30 June 2008 (six months ended 30 June 2007 (unaudited): Nil).

15. Earnings Per Share

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

	Six months ended 30 June 2008 RMB'000	Six months ended 30 June 2007 RMB'000 (Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to equity holders of the Company)	171,814	84,711

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,113,973	942,963
Effect of dilutive potential ordinary shares:		
— share options	1,554	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,115,527	942,963

The weighted average number of shares used in the calculation of earnings per share for 2008 and 2007 have been adjusted for the 1,124,978,308 shares issued pursuant to the capitalisation issue.

No diluted earnings per share was presented for the six months ended 30 June 2007 as there was no potential dilutive ordinary shares outstanding during that period.

16. 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 2007	899,742	2,851,896	133,957	230,794	158	628,723	4,745,270
Additions	60,365	15,272	26,177	34,937	—	1,078,161	1,214,912
Disposals	(1,646)	(34,853)	(1,657)	(13,307)	—	(16,143)	(67,606)
Transfer	300,318	767,986	20,942	12,515	—	(1,101,761)	—
At 31 December 2007 and 1 January 2008	1,258,779	3,600,301	179,419	264,939	158	588,980	5,892,576
Additions	1,482	6,471	9,837	41,536	—	1,007,869	1,067,195
Disposals	—	—	(635)	(9,581)	—	—	(10,216)
Transfer	61,341	87,604	3,130	2,733	—	(154,808)	—
At 30 June 2008	1,321,602	3,694,376	191,751	299,627	158	1,442,041	6,949,555
ACCUMULATED DEPRECIATION							
At 1 January 2007	86,039	542,785	54,481	67,221	158	—	750,684
Provided for the year	37,144	193,120	19,470	26,137	—	—	275,871
Eliminated on disposals	(170)	(19,861)	(1,402)	(11,113)	—	—	(32,546)
At 31 December 2007 and 1 January 2008	123,013	716,044	72,549	82,245	158	—	994,009
Provided for the period	23,023	110,652	11,107	19,751	—	—	164,533
Eliminated on disposals	—	—	(278)	(1,429)	—	—	(1,707)
At 30 June 2008	146,036	826,696	83,378	100,567	158	—	1,156,835
CARRYING VALUES							
At 30 June 2008	1,175,566	2,867,680	108,373	199,060	—	1,442,041	5,792,720
At 31 December 2007	1,135,766	2,884,257	106,870	182,694	—	588,980	4,898,567

16. Property, Plant and Equipment (continued)

The following rates are used for depreciation of property, plant and equipment other than construction in progress:

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

17. Quarry

	RMB'000
COST	
At 1 January 2007	74,530
Additions	6,640
At 31 December 2007 and 1 January 2008	81,170
Additions	12,349
At 30 June 2008	93,519
AMORTISATION	
At 1 January 2007	21,360
Provided for the year	2,307
At 31 December 2007 and 1 January 2008	23,667
Provided for the period	1,224
At 30 June 2008	24,891
CARRYING VALUES	
At 30 June 2008	68,628
At 31 December 2007	57,503

Amortisation is provided to write off the cost of quarry over 5 to 47 years, which is the shorter of the estimated useful life or the period of excavation permit of the quarry.

18. Prepaid Lease Payments

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

Analysed for reporting purposes as:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Non-current assets	**283,805**	285,793
Current assets	**7,119**	7,075
	290,924	292,868

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 30 June 2008, prepaid lease payments with carrying value of approximately RMB32,352,000 (31 December 2007: approximately RMB37,556,000) have yet to obtain the land use right certificates. The Group is currently in the processing of obtaining these land use right certificates.

19. Interests in Jointly Controlled Entities

	30 June 2008 RMB'000	31 December 2007 RMB'000
Investments in jointly controlled entities, at cost	**22,624**	22,624
Share of post-acquisition profits, net of dividends received	**5,582**	5,563
	28,206	28,187

19. Interests in Jointly Controlled Entities (continued)

At 30 June 2008 and 31 December 2007, 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	47.5%	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

The summarised financial information in respect of the Group's interests in the jointly controlled entities which are accounted for using equity method with line-by-line reporting format is set out below:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Current assets	**8,924**	11,844
Non-current assets	**30,513**	32,781
Current liabilities	**(6,991)**	(10,938)
Non-current liabilities	**(4,240)**	(5,500)

	Six months ended	
	30 June 2008 RMB'000	30 June 2007 RMB'000 (Unaudited)
Income	**10,263**	8,245
Expense	**(10,244)**	(8,954)

20. Inventories

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

21. Available-for-sale Investments

	30 June 2008 RMB'000	31 December 2007 RMB'000
Investment fund units, at fair value	**119,635**	125,689

The interest in investment funds represent units in investment funds managed by investment fund managers. The underlying assets of the funds comprise unlisted bonds issued by government, central bank, banks and corporate entities in the PRC. The Group has the right to ask the funds to redeem such investment units at the redemption price provided by the investment fund managers. The fair value of the investment fund is based on valuation provided by investment fund managers with reference to the value of the underlying assets of the funds.

22. Trade and Other Receivables

	30 June 2008 RMB'000	31 December 2007 RMB'000
Trade receivables	**484,594**	485,985
Less: accumulated allowance	**(23,877)**	(18,521)
	460,717	467,464
Other receivables	**93,027**	27,733
Less: accumulated allowance	**(367)**	(1,293)
	92,660	26,440
	553,377	493,904
Advances to suppliers	**93,764**	49,456
Deposits	**776**	1,446
Prepayments	**16,141**	3,158
Value-added tax receivable	**15,068**	32,244
	679,126	580,208

The Group has a policy of allowing a credit period from 30 to 60 days for cement customers. In addition, the Group's credit policy for the 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 receivables net of allowance for doubtful debts at the balance sheet date:

	30 June 2008 RMB'000	31 December 2007 RMB'000
0–90 days	**290,908**	331,740
91–180 days	**131,381**	113,066
Over 180 days	**38,428**	22,658
	460,717	467,464

22. Trade and Other Receivables (continued)

Trade receivables at the balance sheet dates 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 99% (31 December 2007: 98%) of the trade receivables 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 RMB4,910,000 (31 December 2007: approximately RMB8,712,000) which are past due at 30 June 2008 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. The average age of these receivables are 276 days (31 December 2007: 304 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 period/year is set out as follows:

	Other receivables		Trade receivables	
	30 June 2008 RMB'000	31 December 2007 RMB'000	**30 June 2008 RMB'000**	31 December 2007 RMB'000
Balance at beginning of the period/year	**1,293**	621	**18,521**	13,844
Additions	**—**	926	**5,972**	13,565
Reversal	**(926)**	—	**(304)**	(7,591)
Written off	**—**	(254)	**(312)**	(1,297)
Balance at end of the period/year	**367**	1,293	**23,877**	18,521

At 31 December 2007, the Group had trade receivables with carrying values of approximately RMB4,141,000 which were discounted to bank with full recourse. The advance obtained from discounted trade receivables have been recorded as secured bank borrowings (Note 26). No trade receivables was discounted to bank as at 30 June 2008.

23. Restricted Bank Deposits, Time Deposits and Bank Balances and Cash

The amounts comprise cash and restricted bank deposits with an original maturity of three months or less and time deposits with a maturity date less than a year. The restricted bank deposits were placed to banks to secure short-term banking facilities granted to the Group and were classified as current. The restricted bank deposits, time deposits and bank balances carry interest rates ranging from 0.0001% to 5.076% (31 December 2007: 0.1% to 5.54%).

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:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Denominated in US dollars	1,962,924	422,454
Denominated in Euros	17,024	6,394
Denominated in Hong Kong dollars	239,096	—
Denominated in Singapore dollars	817	1,039

24. Amounts Due From (To) Related Companies

(a) Amounts due from related companies

	30 June 2008 RMB'000	31 December 2007 RMB'000
Amounts due from:		
Jointly controlled entities (trade related)	—	1,332

The above amounts were unsecured, non-interest bearing and with a credit term of 30 days.

The age of the above amounts were within 90 days.

24. Amounts Due From (To) Related Companies (continued)

(b) Amounts due to related companies

	30 June 2008 RMB'000	31 December 2007 RMB'000
Amounts due to:		
Jointly controlled entities (trade related)	**4,670**	4,598
Immediate holding company (non-trade related)	**—**	1,796
	4,670	6,394

The age of the trade-related portion of the amounts were within 90 days.

For trade related amounts due to related companies, the amounts are unsecured, non-interest bearing and with a credit term of 30 days.

For non-trade related amounts due to related companies, the amounts are unsecured, non-interest bearing and repayable on demand.

25. Trade and Other Payables

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

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period for trade purchases is 30 to 90 days.

26. Bank Borrowings

	30 June 2008 RMB'000	31 December 2007 RMB'000
Bank borrowings		
Secured	—	4,141
Unsecured	3,650,890	2,468,406
	3,650,890	2,472,547

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

	30 June 2008 RMB'000	31 December 2007 RMB'000
Denominated in US dollars	835,858	528,882
Denominated in Hong Kong dollars	38,331	40,824

The borrowings are repayable as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
On demand or within one year	916,021	654,004
In the second year	889,878	514,827
In the third year	612,569	747,878
In the fourth year	311,951	213,237
In the fifth year	739,221	142,601
After five years	181,250	200,000
	3,650,890	2,472,547
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(916,021)	(654,004)
Amounts due for settlement after 12 months	2,734,869	1,818,543

26. 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:

	30 June 2008		31 December 2007	
	Carrying amount RMB'000	Interest rates	Carrying amount RMB'000	Interest rates
Fixed-rate borrowings	455,000	6.156%–7.47%	159,141	2.55%–6.56%
Variable-rate borrowings	3,195,890	90% to 100% of Benchmark Rate, or LIBOR plus margin of 0.65% to 1%	2,313,406	90% to 120% of Benchmark Rate, or LIBOR plus margin of 0.65% to 1%

At 31 December 2007, borrowings amounted to approximately RMB4,141,000 were secured by trade receivables and restricted bank deposits as set out in notes 22 and 23, respectively. All these pledge of securities were released as at 30 June 2008.

27. Deferred Tax

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

	Property, plant and equipment RMB'000	Impairment of trade and other receivables RMB'000	Pre-operating expenses RMB'000	Total RMB'000
At 1 January 2007	(3,444)	2,410	2,734	1,700
Credit to the income statement for the year	156	1,337	675	2,168
Effect of change in tax rate	(1,521)	1,207	47	(267)
At 31 December 2007 and 1 January 2008	(4,809)	4,954	3,456	3,601
Credit to the income statement for the period	46	1,107	440	1,593
At 30 June 2008	(4,763)	6,061	3,896	5,194

27. Deferred Tax (continued)

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 balance sheet date.

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

	30 June 2008 RMB'000	31 December 2007 RMB'000
Deferred tax assets	**9,855**	6,999
Deferred tax liabilities	**(4,661)**	(3,398)
	5,194	3,601

At 30 June 2008, the Group has unused tax losses of approximately RMB10,651,000 (31 December 2007: approximately RMB5,520,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such loss due to the unpredictability of future profit streams. As at 30 June 2008, the unrecognised tax losses of RMB2,693,000, RMB2,827,000 and RMB5,131,000 will expire in 2011, 2012 and 2013 respectively.

According to the New Law, starting from 1 January 2008, withholding income tax will be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. For foreign investors located in countries where Avoidance of Double Tax Agreement with the PRC exists, the applicable tax rate for withholding income tax will be 5%. Deferred tax has not been provided in the consolidated income statements in respect of the temporary differences attributable to such profits of approximately RMB239,000,000 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

28. Long Term Receivables

	30 June 2008 RMB'000	31 December 2007 RMB'000
Receivables from		
瑞昌市人民政府 (the "Ruichang City Government") (Note a)	**12,158**	11,946
武漢市新洲區人民政府 (the "Wuhan City Government") (Note b)	**22,658**	19,462
	34,816	31,408
Less: Amount due within one year	**(9,236)**	(1,890)
Amount due after one year	**25,580**	29,518

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 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 in December 2007. The purchase costs of the land concerned is approximately RMB84 million. The advances are unsecured and have no fixed repayment terms except for amounts of approximately RMB6.5 million which will be repayable through the offsetting of certain taxes to be payable to the Ruichang City Government and 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 2014. 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 (a subsidiary of the Company), Jiangxi Yadong made a payment of 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 RMB2 million was returned to Jiangxi Yadong in 2005. The directors consider that the remaining RMB2 million will be fully recoverable by 2011. As at 30 June 2008, an amount of RMB1,311,320 (31 December 2007: RMB1,311,320) carry an annual interest rate of 3.74% for the six months ended 30 June 2008 (year ended 31 December 2007: 2.88%) and the remaining balances of RMB10,846,886 (31 December 2007: RMB10,634,996) are non-interest bearing. 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 Ruichang City Government which cannot be recovered by Jiangxi Yadong in accordance with the expected time as per above.*

28. 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 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 initial fair value of the advance, based on discounted cash flows on the expected recoverable amount, is RMB6,277,000 using a discount rate of 5.8% and is unsecured, non-interest bearing and will be repayable in four equal annual installments commencing 31 December 2008. 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 RMB20 million to the Wuhan City Government and up to 31 December 2007, RMB12.5 million was made to the Wuhan City Government to facilitate the construction of a power supply lines. The advance is unsecured, non-interest bearing and will be repayable through offsetting 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 2012. Hubei Yadong obtained the land use right in 2006 and the purchase costs of the land concerned is approximately RMB16 million. Hubei Yadong further advanced RMB3 million to the Wuhan City Government during the six months period ended 30 June 2008 and will make the remaining RMB4.5 million advance to Wuhan City Government by 31 March 2009. 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 together with the remaining RMB4.5 million as mentioned above which cannot be recovered by Hubei Yadong by 2012.

29. 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 2007, 31 December 2007 and 1 January 2008	3,800,000	380	N/A
Increase on 27 April 2008 (Note a)	9,996,200,000	999,620	N/A
At 30 June 2008	10,000,000,000	1,000,000	N/A
Issued and fully paid:			
At 1 January 2007	18,182	2	2
Issue of shares on 12 December 2007 (Note b)	1,764	—	—
At 31 December 2007 and 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 c)	1,746	—	—
Issue of shares on 20 May 2008 (Note d)	375,000,000	37,500	33,548
Issue of shares on 11 June 2008 (note e)	56,250,000	5,625	4,983
At 30 June 2008	1,556,250,000	155,625	139,549

29. Share Capital (continued)

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 December 2007, the Company allotted and issued 1,764 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 RMB294,785,000). The share issue shall rank pari passu in all shares then in issue.*

(c) *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.*

(d) *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.*

(e) *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.*

30. Major Non-cash Transactions

(a) Staff costs paid by the Asia Cement Group

During the period, the Asia Cement Group paid the following amounts to certain employees of the Asia Cement Group for their services provided to the Group. Details of the payments are as follows:

	Six months ended	
	30 June 2008 RMB'000	30 June 2007 RMB'000 (Unaudited)
Salaries and other benefits		
Employees seconded to the Group	**17,893**	19,609

30. Major Non-cash Transactions (continued)

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

During the period, the Group acquired the remaining 36.84% equity interests in Sichuan Yandong 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.

31. Operating Leases

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Within one year	**6,015**	5,733
In the second to fifth years inclusive	**22,746**	18,330
After five years	**57,122**	55,614
	85,883	79,677

Operating lease payments represent rental payables by the Group for certain of its office premises leases which are negotiated for a terms ranging from 1 to 20 years with fixed rentals over the terms of the leases.

The Group as lessor

Rental income earned was RMB815,000 and RMB123,000 for the periods ended 30 June 2008 and 2007, respectively. The Group leases its motor vehicles under operating lease arrangement with no fixed lease term.

32. Capital Commitments

	30 June 2008 RMB'000	31 December 2007 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	**693,485**	681,862

33. Share Based Payment Transactions

(a) Pre-IPO Share Option Scheme

Equity-settled share option scheme:
Pursuant to a written resolution of the sole shareholder on 27 April 2008, 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.

The total number of shares issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 11,578,000 shares, representing approximately 0.7% of the enlarged issued share capital of the Company as at 30 June 2008. The estimated fair value of the options at the date of grant is approximately HK$26,202,000 (equivalent to approximately RMB23,547,000).

Details of the share options which were granted under the Pre-IPO Scheme and remained outstanding as at 30 June 2008 are as follows:

Category of Grantee	Date of grant	Exercise price per share	Exercisable period	Vesting date	Options granted during the period	Options outstanding as at 30 June 2008
Directors	17 April 2008	HK$4.2075	17/4/2009–16/4/2014	17/4/2009	2,013,000	**2,013,000**
			17/4/2010–16/4/2014	17/4/2010	2,013,000	**2,013,000**
			17/4/2011–16/4/2014	17/4/2011	2,074,000	**2,074,000**
					6,100,000	**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	**1,643,400**
			17/4/2011–16/4/2014	17/4/2011	1,643,400	**1,643,400**
			17/4/2012–16/4/2014	17/4/2012	1,095,600	**1,095,600**
			17/4/2013–16/4/2014	17/4/2013	1,095,600	**1,095,600**
					5,478,000	**5,478,000**
					11,578,000	**11,578,000**

33. Share Based Payment Transactions (continued)

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

Equity-settled share option scheme: (continued)

The fair value of the options has been estimated using the Binominal model. The inputs into the model are as follows:

	2008
Market price	HK$4.95
Exercise price	HK$4.2075
Expected volatility	52%
Expected life	3–5 years
Risk-free rate	2.318%
Expected dividend yield	0.95%

Expected volatility was determined by using the volatility of the stock return of comparable listed companies as at the valuation date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of RMB2,245,000 for the period 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 9 June 2007, 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 30 June 2008, no option has been granted under the Share Option Scheme.

34. Retirement Benefits Scheme

The Group's full-time employees in the PRC are covered by a government sponsored defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plan at a rate of 20% to 22% of employees' salaries, which are charged as an expense when the employees have rendered services entitling them to the contributions.

	Six months ended	
	30 June 2008 RMB'000	30 June 2007 RMB'000 (Unaudited)
Amount contributed and charged to the consolidated income statement	**3,204**	2,368

35. Related Party Transactions

Apart from details of the balances with related parties disclosed in the consolidated balance sheet and in note 24, and transactions with related parties disclosed in note 30, the Group had also entered into the following significant transactions with related parties during the period.

	Six months ended	
	30 June 2008 RMB'000	30 June 2007 RMB'000 (Unaudited)
Jointly controlled entities:		
Purchase of goods	**2,037**	500
Transportation expenses	**9,844**	6,615

35. Related Party Transactions (continued)

Compensation of key management personnel

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

	Six months ended	
	30 June 2008 RMB'000	30 June 2007 RMB'000 (Unaudited)
Short-term employee benefits	**4,131**	3,361
Share based payment	**1,511**	—
	5,642	3,361

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

36. Government Grants Income

	Six months ended	
	30 June 2008 RMB'000	30 June 2007 RMB'000 (Unaudited)
Incentive subsidies (Note a)	**1,040**	3
Value-added tax refund related to expenses (Note b)	**6,679**	1,634
Others (Note c)	**508**	852
	8,227	2,489

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. The subsidies were granted on a discretionary basis to the Group during the periods.

(b) During the periods, Jiangxi Yadong 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. The directors believe that the Group can continue maintaining the usage of reusable materials.

(c) The relevant PRC authority refunded profits tax and value-added tax as incentive to attract foreign investment. There were no specific conditions attached to the grants and, therefore, the Group recognised these grants upon receipt.

37. 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 At 31 December 2007	Attributable equity interest of the Group At 30 June 2008	Principal activities
Perfect Industrial Holdings Pte., Ltd.	22 May 1997	British Virgin Island ("BVI")	US$4,986,458	100%	**100%**	Investment holding
Oriental Industrial Holdings Pte., Ltd.	4 May 1994	Republic of Singapore ("Singapore")	S$404,240,980	99.99%	**99.99%**	Investment holding
Asia Continent Investment Holdings Pte., Ltd.	1 April 1995	Singapore	S$236,120,635	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
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd.[1]	9 October 1997	PRC	US$186,104,433	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$55,000,000	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]	16 November 2005	PRC	US$64,000,000	99.99%	**99.99%**	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products

37. 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 At 31 December 2007	Attributable equity interest of the Group At 30 June 2008	Principal activities
四川亞東水泥有限公司 Sichuan Yadong Cement Co., Ltd.[2]	29 November 2004	PRC	US$95,000,000	63.15%	**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$29,800,000[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$17,610,000	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]	25 July 2005	PRC	RMB2,000,000	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 30 June 2008, 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.*