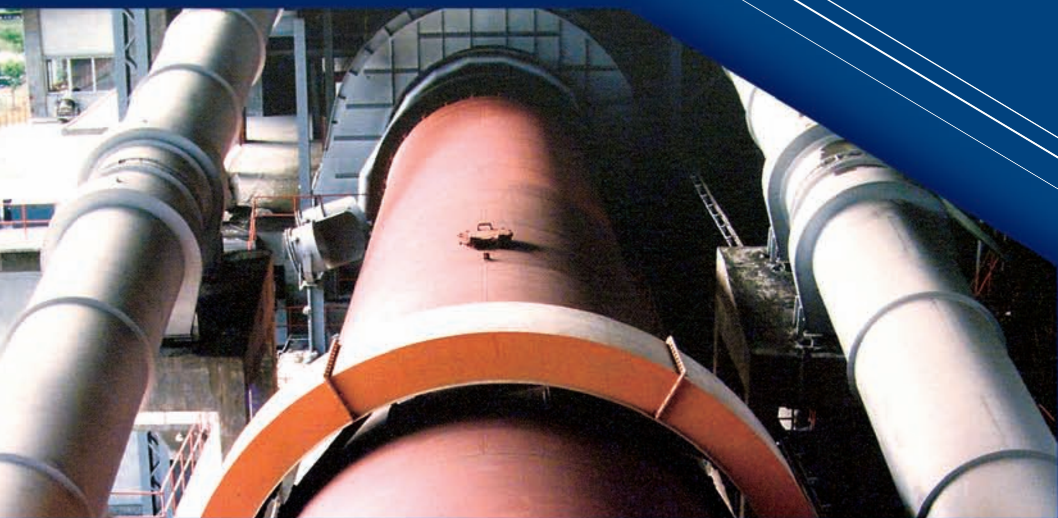
Asia Cement (China) Holdings Corporation
亞洲水泥(中國)控股公司

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

2008
Annual 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

China Construction Bank
Bank of China
Bank of Communications

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

Contact Details

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Financial Highlights

	Notes	2008 RMB'000	2007 RMB'000	% Change Increase/ (Decrease)
Revenue		**3,248,152**	2,254,590	44
Gross profit		**908,003**	632,517	44
Profit for the year		**438,401**	307,297	43
Profit attributable to equity holders of the Company		**410,717**	246,200	67
Gross profit margin		**28%**	28%	—
Net profit margin	1	**14%**	14%	—
Earning per share				
— Basic		**RMB0.30**	RMB0.26	15%
— Diluted		**RMB0.30**	N/A	N/A
Proposed final dividend per share		**RMB0.10**	N/A	N/A
Total assets		**10,950,060**	7,129,547	54%
Net assets		**6,591,014**	4,282,963	54%
Cash and cash equivalents		**2,078,228**	620,216	235%
Liquidity and Gearing				
Current ratio	2	**1.84**	1.69	9%
Quick ratio	3	**1.62**	1.41	15%
Gearing ratio	4	**0.40**	0.40	—

Notes:

1. Net profit margin is calculated as profit for the year divided by revenue.

2. Current ratio is calculated as current assets divided by current liabilities.

3. Quick ratio is calculated as current assets less inventories divided by current liabilities.

4. Gearing ratio is calculated as total liabilities divided by total assets.

Chairman's Statement

Hsu Shu Tong
Chairman

To our shareholders,

On behalf of the Board of Directors (the "Board") of Asia Cement (China) Holdings Corporation (the "Company"), together with its subsidiaries (collectively "Asia Cement (China)" or the "Group"), I am pleased to present the first annual report of the Group for the year ended 31 December 2008.

During 2008, the Group achieved two major milestones in recognition of its leading market position, solid business base and financial strength. First, Asia Cement (China) produced its strongest-ever financial results, generating record revenue and net profit. Second, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "listing") in May 2008, following years of rapid expansion. The successful listing has laid a solid foundation for the Group´s future expansion strategy, enabling the Group to accelerate the expansion plans of its production capacity and distribution network.

Chairman's Statement (Continued)

Operating Results and Dividend

For the year under review, we have been able to deliver solid operational and financial performance. The Group's turnover amounted to RMB3,248.2 million, representing an increase of RMB993.6 million or 44% over 2007. The gross profit for 2008 was RMB908.0 million, representing a gross profit margin of 28% on turnover. Net profit for the year was RMB438.4 million, representing growth of 43% over 2007, and earnings per share amounted to RMB0.30.

The Board recommended payment of a final dividend of RMB0.10 per share for the year 2008, representing a payout ratio of 33%.

Business Review and Prospects

2008 was an unusual year full of challenges for every country, enterprise and individual. Many industries and companies experienced their worst performance in half a century. China experienced snowstorms in Central China and earthquakes in Sichuan province, as well as facing the fluctuation in energy costs and the slowdown in the global economy, all in a year. With dedication from all levels of our management and staff, we were able to mitigate the adverse impact of those events and further strengthen our financial position and profitability during this year.

Despite the challenging environment, the Group achieved 44% increase in revenue and 43% increase in net profit over 2007, primarily driven by the increase in sales volume and average price of the Group's cement products. Both figures set a record high since the Company's incorporation.

Though China will be inevitably affected by the global economic downturn, the RMB4 trillion government investment package to speed up infrastructure projects and rebuild the damaged areas is set to provide ample opportunities for Asia Cement (China). As we expect the industrialization and urbanization in the Central Yangtze River Region to grow while post-quake infrastructure rebuilding is coming on stream gradually, we are optimistic about the future economic prospects for China, especially in its central and western regions. In view of our leading market position in the Sichuan and Central Yangtze River regions, we believe the Group will continue to benefit from its expanding capacities and the strategic locations of its production facilities.

This will help grow our business, as we further expand our production capacities, improve our economies of scale and capture new business opportunities. It is our persistence for product quality and effective cost management that has helped build up a solid reputation in the cement industry and will help overcome future market challenges. Thus, the Group will continue to place its emphasis on cost control, operational efficiency and product quality, further enhancing its profitability and competitiveness.

The ultimate test of our strategy is our performance when economic headwinds increase. The year 2008 proved that we have the people, the strategy and the opportunities to continue on our path of disciplined and sustainable growth. With our effective business strategies, the Group is well positioned to ride out the inevitable economic cycles while maintaining a strong performance going forward.

Appreciation

In a market environment surrounded by opportunities and challenges, our diligent staff represent a valuable asset for the Group. The Board would like to express its sincere gratitude to the management of the Group and to all members of staff for their hard work and dedication, and to its shareholders, business partners, bankers and auditors for their support and trust throughout the year.

The directors, management and staff will continue to strive to serve the best interests of all shareholders and increase the value of their investments in the Company.

Hsu Shu Tong
Chairman

Hong Kong
14 April 2009

Management Discussion and Analysis

Management Discussion and Analysis (Continued)

Business and Financial Review

China is the world's largest consumer of cement and is expected to continue to account for a major share of the world's cement consumption for the next few years. The demand for cement products in China is expected to remain strong in the short term and stable over the longer term, driven primarily by the country's continuing urbanization and industrialization. According to the China Cement Association, China's cement consumption in 2010 is forecast to reach 1.58 billion tonnes, representing a CAGR of 3.9% from 2007 to 2010.

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

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 range from the excavation of principal raw materials to the production, sale and distribution of clinker and different types of cement and RMC products to its principal markets through a well-established road and riverway transportation network. The Group's cement and RMC products are sold in Shanghai and the provinces of Jiangxi, Hubei, Sichuan, Zhejiang, Anhui and Fujian.

Sichuan Region

Chengdu, the Group's principal market in Sichuan, is a relatively closed market geographically, with only roadways connecting with surrounding markets. The closing down of 44 small vertical kilns by the Chengdu municipal government in the fourth quarter of 2007 caused the undersupply of cement products, which, in turn, drove up the price of cement in the Chengdu market in the first quarter of 2008. The enormous devastation brought by the earthquake in Sichuan in May 2008 has further tightened the intense demand and supply situation in the Sichuan cement market. Though post-quake infrastructure rebuilding has not yet started extensively, demand for cement products remained strong throughout the year. With the completion of No. 2 rotary kilns at our Sichuan Yadong Plant in December 2008, the Group's rated capacity of clinker production in Sichuan has increased to 2,772,000 tonnes per annum. The flexibility of the new cement kilns to burn multiple types of coals —- high caloric coal and low caloric coal —- has helped bring down the cost of production. The construction of No. 3 rotary kilns has already commenced and is expected to be completed by the first quarter of 2010.

Central Yangtze River Region

The major markets of the Group in the Central Yangtze River Region are Nanchang, Jiujiang and Wuhan, which are cities in Jiangxi and Hubei provinces. In 2008, this region continued to benefit from the relocation of industry from the Yangtze River Delta and Pearl River Delta and rapid industrialization and urbanization. The increasing consumption of cement resulting from accelerated urbanization and infrastructure development in the region helped offset the consumption slowdown in property development in the Central Yangtze River Region. As a consequence, the prices of cement products in the region remained stable in 2008. As at the end of 2008, the Group took up the cement supply of various key projects including

Hanyi Express Railway — Wuhan Section (漢宜高速鐵路武漢段) and Shiwu Express Railway — Hubei Section (石武高速鐵路湖北段), only orders taken up from these key projects have reached over 1,700,000 tonnes. The No. 1 rotary kilns at Hubei Yadong Plant commenced operation in March 2009, with the construction of the No. 1 rotary kilns at Huangang Yadong Plant and No. 4 rotary kilns at Jiangxi Yadong Plant, which is timed to be completed by the mid of 2010, the rated production capacity of the Group in this region will then increase to 8,300,000 tonnes of clinker per annum.

Yangtze River Delta Region

The major markets of the Group in the Yangtze River Delta Region are Shanghai, Jiangsu and Zhejiang. As the cement market in this region is well established, the cement price and profitability was less attractive compared with the Group's other markets.

Operating Results

The year 2008 marked a major milestone in the Group's corporate development. With its 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 rising cost of energy.

Revenue

The Group's principal business activities are the manufacture and sale of cement, concrete and related products. The concerted efforts of the management team have continued to bear fruit as evidenced by the increase in sales of the Group. For 2008, the Group's revenue amounted to RMB3,248.2 million, representing an increase of RMB993.6 million or 44% over that of RMB2,254.6 million for 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.

As the cement price in the Sichuan Region stood high throughout the year, the revenue in that region increased significantly during 2008.

	2008		2007	
Region	**RMB'000**	**%**	RMB'000	%
Yangtze River Delta	**455,008**	**14**	249,693	11
Central Yangtze River	**1,612,835**	**50**	1,331,794	59
Sichuan	**1,142,678**	**35**	643,949	29
Others	**37,631**	**1**	29,154	1
Total	**3,248,152**	**100**	2,254,590	100

In respect of revenue contribution for 2008, sales of cement products accounted for 87% (2007: 90%) and sales of concrete accounted for 11% (2007: 8%). The table below shows the sales breakdown by product during the reporting period:

	2008		2007	
	RMB'000	**%**	RMB'000	%
Cement Products	**2,823,867**	**87**	2,015,031	90
Clinker	**4,652**	**0**	8,346	0
RMC	**358,490**	**11**	176,585	8
Blast-furnace slag powder	**61,143**	**2**	54,628	2
Total	**3,248,152**	**100**	2,254,590	100

Management Discussion and Analysis (Continued)

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

	2008	2007
	'000 units	'000 units
Cement Products	**9,870**	8,249
Clinker	**23**	40
RMC	**1,322**	720
Blast-furnace slag powder	**359**	333

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

Based on the sales revenue and sales volume as set out above, the average selling price of cement products increased from RMB244 per tonne in 2007 to RMB286 per tonne in 2008.

Cost of Sales and Gross Profit

The Group's cost of sales primarily includes cost of raw materials, fuel expenses (consisting of coal and electricity), employee compensation and benefits, depreciation and amortization and other overhead costs. In 2008, the Group's cost of sales increased by 44% to RMB2,340.1 million from RMB1,622.1 million for 2007 due to the expansion of overall business of the Group and the increase in average coal cost.

The gross profit for 2008 was RMB908.0 million, representing a gross profit margin of 28.0% on revenue and a significant improvement on the gross profit of RMB632.5 million in 2007. The significant improvement in gross profit reflected the fact that the increase in average selling prices of the Group's products and the economies of scale achieved.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income, sales of scrap materials, investment incentives from the PRC government and gain on disposal of property, plant and equipment. For 2008, other income amounted to RMB116.1 million, representing a increase of RMB31.0 million or 36% over that of RMB85.1 million for 2007. The increase in other income was attributable to (i) the increase in transportation fee income from increased sales activities and (ii) increase in interest income on bank deposits and increase in government grant and investment incentives from the PRC government during the year under review.

Other Expenses

Other expenses mainly comprise exchange loss, listing expenses and allowance of doubtful debts. For 2008, other expenses amounted to 54.5 million, representing a increase of RMB31.5 million or 137% over that of RMB23.0 million for 2007. The increase in other expenses was principally attributable to the increase in exchange loss from United States/Hong Kong dollar denomination bank deposits.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2008, the distribution and selling expenses amounted to RMB196.2 million, representing an increase of RMB49.8 million or 34% over that of RMB146.4 million for 2007. The increase in distribution costs was attributable to the increase in sales activities in 2008.

Administrative costs, including employee compensation and benefits, depreciation expenses, listing related expenses and other general office expenses increased by 59%, from RMB95.6 million to RMB151.6 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, and (ii) listing related expenses incurred upon the Group's listing in May 2008.



The 47% 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.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2008 increased by RMB119.8 million, or 35%, to RMB467.0 million from RMB347.2 million for 2007.

Income Tax Expenses

In 2008, income tax expenses decreased by RMB11.3 million, or 28%, to RMB28.6 million from RMB39.9 million for 2007. The effective tax rate of the Group decreased from 11.5% for 2007 to 6.1% for 2008, primarily attributable to the significant increase in profit contribution by Sichuan Yadong which enjoyed the second year of its tax exemption period in 2008.

Minority Interests

In 2008, minority interests amounted to RMB27.7 million, representing a decrease of RMB33.4 million, or 55%, from RMB61.1 million for 2007 primarily due to the acquisition by the Group of minority interests in Sichuan Yadong at the beginning of year.

Profit for the Year

For 2008, the net profit of the Group amounted to RMB438.4 million, representing an increase of RMB131.1 million or 43% over that of RMB307.3 million for 2007, while the net profit margin maintained at 14%.

Liquidity and Financial Resources

The Group maintained a strong financial and liquidity position for year ended 31 December 2008. Total assets increased by 54% to approximately RMB10,950.1 million (2007: approximately RMB7,129.5 million) while total equity grew by 54% to approximately RMB6,591.0 million (2007: approximately RMB4,283.0 million).

Restricted Bank Deposits, Time Deposits, Bank Balances and Cash

As at 31 December 2008, the Group's restricted bank deposits, time deposits, bank balances and cash amounted to approximately RMB2,201.2 million (2007: RMB730.8 million) of which 32% was denominated in RMB and 67% in United States dollars, with the remainder denominated in Hong Kong dollars and Euros.

Cash Flow

The Group derives its net cash inflow from operations primarily through the receipt of payments for the sale of its cement and concrete products. The Group's cash outflow from operations is used primarily for raw material purchases, payment for fuel and power, distribution costs, staff salaries and interest payments. Cash generated from operating activities increased from RMB483.0 million in 2007 to RMB660.6 million in 2008. This was mainly due to the expansion of business while the trade receivables balance was maintained at a healthy level.

The Group's cash inflow from investment activities primarily consists of interest income and proceeds from disposal of property, equipment, available-for-sale investments and bank interest. The Group's cash outflow from investment activities primarily consists of acquisitions of additional equity interests in a subsidiary, purchase of property, plant and equipment, land use rights and a quarry, and pre-paid lease payments. In 2008, the net cash used in investment activities of the Group amounted to RMB2,201.2 million, representing an increase of 67% from RMB1,318.8 million for 2007. The increase in cash flow by RMB882.4 million used in investment activities was primarily attributable to the cash used for the purchase of property, plant and equipment to expand the production capacities of the Group.

In 2008, the net cash generated from financing activities of the Group amounted to RMB2,998.6 million, representing an increase of RMB2,342.8 million from 2007. This increase was primarily attributable to net cash of RMB1,907.4 million raised through the Company's initial public offering in the second quarter of 2008.

Management Discussion and Analysis (Continued)

Capital Expenditure

Capital expenditure for the year ended 31 December 2008 amounted to approximately RMB2,364.9 million and capital commitments as at 31 December 2008 amounted to approximately RMB447.3 million. Both the capital expenditure and capital commitments were mainly related to the purchase of plant and equipment for the new production lines. The Group anticipates funding those commitments from proceeds from initial public offerings ("IPO"), future operating revenue, bank borrowings and other sources of finance when appropriate.

Borrowings

The Group's bank borrowings as at 31 December 2007 and 2008 are summarized below:

	As at 31 December			
	2008 RMB'000	**%**	2007 RMB'000	%
Short-term borrowing	**1,309,722**	**34**	654,004	26
Long-term borrowing	**2,503,898**	**66**	1,818,543	74
Currency denomination				
— Renminbi	**2,972,370**	**78**	1,902,841	77
— US dollars	**802,800**	**21**	528,882	21
— Hong Kong dollars	**38,450**	**1**	40,824	2
Bank borrowings				
— secured	**—**	**—**	4,141	0
— unsecured	**3,813,620**	**100**	2,468,406	100
Interest rate structure				
— fixed-rate	**315,000**	**8**	159,141	6
— variable-rate	**3,498,620**	**92**	2,313,406	94
Interest rate				
— fixed-rate borrowings		**5.58%–7.47%**		2.55%–6.56%
— variable-rate borrowings		**90% to 100% of the Benchmark Borrowing Rate of the PRC ("Benchmark Rate"), or LIBOR plus margin of 0.5% to 1%**		90% to 120% of Benchmark Rate, or LIBOR plus margin of 0.65% to 1%

As at 31 December 2008, the Group had unutilized credit facilities in the amount of RMB1,670 million.

As at 31 December 2008, the Group's gearing ratio was approximately 40% (2007: 40%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2008 and 2007 respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as of 31 December 2008 other than pledged bank deposits of approximately RMB102.9 million.

Use of proceeds

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. Total net proceeds received by the Company from the IPO were approximately HK$2,049.8 million.

As at 31 December 2008, approximately RMB357.1 million of the proceeds have been used and were applied in accordance with the proposed applications set forth in the Prospectus. The unutilized proceeds have been placed with licensed banks and financial institutions in Hong Kong and Taiwan as interest-bearing deposits.

Contingent Liabilities

As of the date of this announcement and as at 31 December 2008, the Board is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2008, the Group had 2,778 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Pre-IPO Share Option Scheme and the Share Option Scheme, where eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company in accordance with their past and potential contribution to the growth of the Group. As at 31 December 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 31 December 2008, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

The Group did not make any material acquisition or disposal of subsidiaries or affiliated companies during the year under review.

Foreign Exchange Risk Management

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

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

The Group currently does not maintain a foreign currency hedging policy. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Future Prospects

In the last few months, the global financial turmoil has been affecting every single economy in the world. While many developed countries are expected to experience their worst economic performance, China is expected to maintain sustainable growth, in particular with the RMB4 trillion government investment package put forward by the Chinese government. The investment package focuses on public housing, rural infrastructure, transport infrastructure, health and education, environmental development and post-earthquake reconstruction, with major targets on the infrastructure facilities in Central and Western regions of China.

In addition, the Chinese government has mandated the elimination of 284 million tonnes of outdated cement production capacity by 2010. It is expected that industry consolidation will accelerate, and market shares and product sales will be further concentrated to leading companies. Given the strategic location of the Group's production plants and its leading market position, the Group is well-positioned to benefit from this immense business opportunity, gearing up for a promising future.

In response to the challenging market environment, the Group will continue to strengthen its market position in its strategic markets through capacity expansion, enhance its distribution network, improve operational efficiency, and continue to upgrade product quality through further product and process development.

Management Discussion and Analysis (Continued)

Among the Group's key markets, Sichuan is poised to have the highest growth potential, driven by the post-quake infrastructure projects. Capitalizing on the robust demand and its strong presence in Sichuan, the Group expects the demand for cement in the Sichuan Region will continue to grow and will thus maintain its profit margin at a healthy level. The completion of No. 2 rotary kiln at Sichuan Yadong Plant in December 2008 will serve to further sustain the Group's growth momentum into 2009.

The Group will continue 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 rebuilding of the damaged areas with adequate supply of high quality cement. The construction of No. 3 rotary kilns at Sichuan Yadong Plant will be completed by the first quarter of 2010, as opposed to the original schedule of completion by the end of 2011. As a significant player in the Sichuan Region, the expansion plan will position the Group for further organic growth in the fast growing Sichuan market in the near future.

The rapid development of industrialisation and urbanisation in the Central Yangtze River Region, as well as the increasing investment in the infrastructure made by the government has brought a bright prospect for the region. As construction work of Han'e Urban Express Railway (漢鄂城際高速鐵路) and Hanxiao Urban Express Railway (漢孝城際高速鐵路) will be commenced in the first half of 2009, the demand for cement of those infrastructure projects will reach to 2,000,000 tonnes from 2009 to 2010, reflecting a huge development potential in the region.

While seizing the massive opportunities in Sichuan market, the Group will continue to commit in expanding the production capacity of Hubei Yadong Plant and Wuhan Yadong Plant. Following No. 1 rotary kiln at Hubei Yadong Plant in the Central Yangtze River Region commenced its production in the first quarter of 2009 and the expansion project of No. 2 rotary kiln began at the same time, the total annual rated capacity of clinker will increase to 8,300,000 tonnes in 2009.

Looking ahead, the Group will adopt a prudence and steady development strategy, react to market changes promptly and adjust accordingly, and will fully utilise waste such as pulverized fly ash from power plant, forming a waste-recycle economy in line with the Integrated Use VAT deduction (綜合利用減免增值稅) policy of the country to reduce costs, thus enhancing the Group's competitive edge and enlarging the market share.

Corporate Governance Report

Corporate Governance Report (Continued)

Corporate Governance Practices

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

The Company has complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices (the "CG Code") as set forth in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange throughout the year ended 31 December 2008.

Model Code for Securities

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

Board of Directors

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

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

Chairman and non-executive Director

Mr. HSU, Shu-tong (appointed on 27 April 2008)

Executive Directors

Mr. CHANG, Tsai-hsiung (appointed on 27 April 2008)
Madam CHIANG SHAO, Ruey-huey
(appointed on 27 April 2008)
Mr. CHANG, Chuen-kuen (appointed on 27 April 2008)
Mr. LIN, Seng-chang (appointed on 27 April 2008)
Dr. WU, Chung-lih (appointed on 27 April 2008)

Independent non-executive Directors

Mr. LIU, Zhen-tao (appointed on 27 April 2008)
Mr. LEI, Qian-zhi (appointed on 27 April 2008)
Mr. TSIM, Tak-lung Dominic (appointed on 27 April 2008)
Dr. WONG, Ying-ho Kennedy (appointed on 27 April 2008)

Biographical information of the Directors is set forth on pages 21 to 24 of this annual report.

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

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

The Chairman and Chief Executive Officer

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

Non-executive Directors and Re-election

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

Board Meetings

The Board meets regularly in person or by means of electronic communication. The Board is planning to meet at least four times a year and three meetings were held during the period from the listing to the end of 2008. Regular board meetings are usually scheduled at the beginning of the year to give all directors adequate time to plan their schedules to attend. Directors receive at least 14 days' prior written notice of regular board meetings and an agenda. The Board paper, including supporting analysis and relevant background information, are normally sent to all Directors at least three days before the Board meeting. For other Board meetings, Directors are given as much notice as possible in the circumstances.

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

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

The table below sets out the details of Board meeting attendance of each Director in 2008.

Director	Number of Board meetings attended
Mr. HSU, Shu-tong	3/3
Mr. CHANG, Tsai-hsiung	3/3
Madam CHIANG SHAO, Ruey-huey	3/3
Mr. CHANG, Chuen-kuen	3/3
Mr. LIN, Seng-chang	3/3
Dr. WU, Chung-lih	3/3
Mr. LIU, Zhen-tao	3/3
Mr. LEI, Qian-zhi	2/3
Mr. TSIM, Tak-lung Dominic	3/3
Dr. WONG, Ying-ho Kennedy	2/3

Audit Committee

The primary responsibilities of the Audit Committee are,

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

Corporate Governance Report (Continued)

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

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

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

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

The table below sets out the details of Audit Committee meeting attendance of each Director in 2008.

Director	Number of Audit Committee meetings attended
Mr. HSU, Shu-tong	2/2
Mr. TSIM, Tak-lung Dominic	2/2
Dr. WONG, Ying-ho Kennedy	1/2

Remuneration Committee

The primary responsibilities of the Remuneration Committee are,

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

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

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

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

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

No meeting was held by the Remuneration Committee during the period from the listing to the end of 2008.

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

Remuneration of Directors

The Company has adopted full disclosure of remunerations of Directors with disclosure by name, amount and type in note 13 to the financial statements.

Independence Committee

The primary responsibilities of the Independence Committee are,

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

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

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

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

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

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

Nomination of Directors

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

Directors' Responsibility for the Financial Statements

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group and in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2008, the Directors have selected appropriate accounting policies and applied them consistently; made judgement and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner.

The statement by the external auditor of the Company regarding their reporting responsibilities of the financial statements of the Group is set forth in the Independent Auditors' Report on page 37 to 38 of this annual report.

Corporate Governance Report (Continued)

External Auditors

The Group appointed Messrs. Deloitte Touche Tohmatsu as the Group's principal auditors. The acknowledgement of their responsibilities on the financial statements is set forth in the Independent Auditors' Report on page 37 to 38 of this annual report.

The remuneration paid to Messrs. Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2008 is as follows:

	2008 RMB'000
Audit services	6,300
Non-audit services	27
Total	6,327

Internal Control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The Board, together with the Group's internal audit department and management conduct reviews of the effectiveness of the Company's system of internal control, including those of its subsidiaries. The Audit Committee reviews the findings and opinion of the Group's internal audit department and management on the effectiveness of the Company's system of internal control, and reports to the Board on such reviews. In respect of the year ended 31 December 2008, the Board considered the internal control system effective and adequate. No significant areas of concern which might affect shareholders were identified.

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

Investor Relations

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

Directors and Senior Management

Directors

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

Chairman and Non-Executive Director

Mr. HSU, Shu-tong (徐旭東), aged 67, is chairman of the Company. Mr. HSU's principal responsibilities involve formulating the overall business strategy of the Group in China. Mr. HSU is also chairman of Far Eastern Textile Ltd., U-Ming Marine Transport Corporation, Far Eastern Department Stores, Ltd., Oriental Union Chemical Corporation, Far EasTone Telecommunications Co. Ltd. and Asia Cement Corporation, vice chairman of Far Eastern International Bank and director of Everest Textile Co. Ltd., which are listed in Taiwan. Mr. HSU joined Far Eastern Textile in 1967 and had served as its president from 1979 to 1994. Mr. HSU has more than 40 years of experience in managing businesses of the Far Eastern Group. Mr. HSU was awarded in 2005 as Taiwan's "Outstanding Entrepreneur of the Year"and Far Eastern Group was awarded for"Best Social Contributions"in 2007. Mr. HSU graduated in 1967 from the University of Notre Dame with a master degree and then studied economics at Columbia University Graduate School. Mr. HSU also received an honorary doctoral degree in management from the National Chiao Tung University Taiwan in 2002.

Executive Directors

Mr. CHANG, Tsai-hsiung (張才雄), aged 84, is an executive Director and chief executive officer of the Group. Mr. CHANG's primary responsibilities include formulating and implementing the overall business strategy as well as planning and overseeing the entire operation of the Group in China. Mr. CHANG is also a director of Asia Cement Corporation, a company listed in Taiwan. Mr. Chang joined Asia Cement Group in 1963 and joined the Group in October 1997. Mr. CHANG has more than 40 years of experience in the cement industry in both Taiwan and the PRC.

Madam CHIANG SHAO, Ruey-huey (邵瑞蕙), aged 61, is the executive Director and chief financial officer of the Group. Madam SHAO has more than 39 years of experience in financial management, planning and information system management of cement business. Madam SHAO is also a director of China Hi-Ment Corporation and Far Eastern Department Stores Ltd and a supervisor of U-Ming Marine Transport Corporation, all of which are listed in Taiwan. Madam SHAO joined Asia Cement Group in 1970 and joined the Group in October 1997. Madam SHAO graduated from the Soochow University, Taiwan in 1970 with a bachelor degree in accountancy.

Mr. CHANG, Chen-kuen (張振崑), aged 61, is an executive Director, deputy chief executive officer and chief technical officer of the Group. Mr. CHANG is responsible for the production technology and research and development activities of the Group. Mr. CHANG has more than 40 years of experience in engineering and management in the cement industry. Mr. CHANG joined Asia Cement Group in 1968 and joined the Group in December 1997. Mr. CHANG graduated from Taipei Technical Institute majoring in mechanical engineering.

Directors and Senior Management (Continued)

Mr. LIN, Seng-chang (林昇章), aged 65, is an executive Director, deputy chief executive officer and chief marketing officer of the Group. Mr. LIN is primarily responsible for formulating and implementing the sales and marketing strategy of the Group as well as overseeing its sales and marketing activities. Mr. LIN has more than 40 years of experience in sales and management in the cement industry. Mr. LIN joined Asia Cement Group in 1962 and joined the Group in October 1999. Mr. LIN graduated from National Taipei College of Business in October 1962.

Dr. WU, Chung-lih (吳中立), aged 59, is an executive Director, deputy chief executive officer, chief administrative officer and compliance officer of the Group, responsible for the general administration including but not limited to procurement and secretarial work. Dr. WU is also an independent non-executive director of Arima Optoelectronic Corporation which is a company listed in Taiwan. Dr. WU has extensive work experience in Taiwan and the United States. He was a senior official of the Taiwan central government for the period from 1989 to 2000, and had been a teaching and research fellow in the universities in Taiwan and the United States for 15 years, specializing in the areas of health economics, econometrics, public finance, economics of education and analysis of economic policy. Dr. WU joined the Eastern Multimedia Group in May 2000 and served as the chief executive officer and president of Eastern Multimedia Company from June 2001 to February 2005. Dr. WU joined the Group in August 2005. He holds a PhD degree in economics from the State University of New York at Albany.

Independent Non-Executive Directors

Mr. LIU, Zhen-tao (劉震濤), aged 71, is an Independent non-executive Director of the Group. Mr. LIU is also an independent non-executive director of Hanbell Precise Machinery Co. Ltd., a company listed in the PRC. Mr. LIU is a director of the Institute of Taiwan Studies of the Tsinghua University, China and vice-president of the China Industrial Overseas Development & Planning Association. Mr. LIU has had over 15 years of experience in teaching and research while serving as the deputy director of the Automatisation Department and the Technology Development of the Tsinghua University from September 1960 to June 1986. He then served as the deputy secretary of the Foreign Loans Bureau and the Department of Foreign Capital Utilization of the former State Planning Commission, currently known as the NDRC, from June 1986 to April 1989, and as the secretary of the Economy Bureau of the State Council's Taiwan Affairs Office and head of the Taiwan Affairs Office of the State Planning Commission from April 1989 to April 1998. From October 1998 to October 2003, Mr. LIU was the vice president of the Association for Relations across the Taiwan Strait. Mr. LIU graduated from the power mechanical engineering department of the Tsinghua University, China in July 1960. He was appointed as an Independent non-executive Director on 27 April 2008.

Mr. LEI, Qian-zhi (雷前治), aged 67, is an Independent non-executive Director of the Company. Mr. LEI is a senior engineer. He is the president of the China Cement Association Council and the vice-president of the China Building Material Industry Association Council. Mr. LEI has over 16 years of experience in engineering and cement enterprise management. He served as a technician, engineer, workshop head and factory director of Guizhou Shuicheng Cement Plant from January 1970 to April 1986. He also has over 22 years of experience in the administrative management of local and national governments relating to the building materials industry. Mr. LEI was the president of Guizhou Province Building Materials Bureau from March 1986 to January 1991, and he served as a deputy department manager of the National Building Materials Industry Bureau from January 1991 to February 2001. Mr. LEI was the vice president of China Building Material Industry Association from February 2001 to June 2004. Mr. LEI obtained a bachelor degree in Portland cement from Nanjing Chemistry Institution in 1968, and he was appointed as an Independent non-executive Director on 27 April 2008.

Mr. TSIM, Tak-lung Dominic (詹德隆), JP, aged 62, is an Independent non-executive Director of the Company. Mr. TSIM is a director of **Playmates Holdings Limited and of the Greater China Fund, Inc. Mr. TSIM runs his own consultancy business which provides macro-level economic and political analysis to interested clients. Mr. TSIM has served two terms on the Central Policy Unit of the Hong Kong government. Mr. TSIM graduated from the University of Hong Kong in 1968 with a bachelor of arts degree in English. He was appointed as an Independent non-executive Director on 27 April 2008.

Dr. WONG, Ying-ho Kennedy (黃英豪), BBS, DCL, JP, aged 46, is the independent non-executive Director of the Company. Dr. WONG is a solicitor of the High Court of Hong Kong, China Appointed Attesting Officer and a director of the China Law Society. Dr. WONG is the Managing Partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. Dr. WONG is a National Committee Member of the Chinese People's Political Consultative Conference and vice chairman of the All China Youth Federation. Dr. Wong is a director of Bohai Industrial Investment Fund Management Company Limited, **China Overseas Land & Investment Limited, **Goldlion Holdings Limited, **Great Wall Technology Company Limited, **Hong Kong Resources Holdings Company Limited, **Qin Jia Yuan Media Services Company Limited, Pacific Alliance Asia Opportunity Fund Limited, Pacific Alliance China Land Limited and Hong Kong Airlines Limited. Dr. Wong was the executive deputy chairman of **Raymond Industrial Ltd. and also a director of **Capinfo Company Limited, **Coastal Realty Group Limited, **Computime Group Limited, **Great Wall Cybertech Limited, **International Financial Network Holdings Ltd. and **i-SteelAsia Holdings Limited. Dr.WONG is also a member of the Election Committee of Hong Kong responsible for electing Hong Kong's Chief Executive. Dr. WONG has served on Hong Kong's legislature from 1996 to 1998 and was selected as one of the Ten Outstanding Young Persons of Hong Kong in 1998 and then one of the Ten Outstanding Young Persons of the World in 2003. Dr. WONG received an Honorary Degree of Doctor of Civil Laws from the University of Kent in July 2007. Dr. WONG was appointed as the Independent non-executive Director on 27 April 2008.

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

Senior Management

Mr. FANG, Lu-hsing (方履興), aged 56, is the deputy chief administrative officer of the Group, primarily responsible for assisting the chief administrative officer to oversee the general administration of the Group. Mr. FANG has more than 30 years of management experience in the cement industry. Mr. FANG graduated from the National Chung Hsing University majoring in accounting. Mr. FANG joined Asia Cement in May 1978 and joined the Group in December 1997.

Mr. WONG, Liang-shih (王亮石), aged 57, is the manager of the procurement department of the Group, primarily responsible for managing the procurement of the Group. Mr. WONG has more than 20 years of procurement management experience in the cement industry. Mr. WONG graduated from the Tamkang University majoring in English. Mr. WONG joined Asia Cement in August 1981 and joined the Group in December 1997.

Mr. WU, Chien-hua (吳建華), aged 52, is the manager of the accounting department of the Group, primarily responsible for the accounting work. Mr. WU has more than 20 years of accounting experience in the cement industry. Mr. WU graduated from the Soochow University majoring in accounting. He joined Asia Cement in July 1981 and joined the Group in March 2005.

Directors and Senior Management (Continued)

Mr. LIN, Chiang-hua (林江海), aged 49, is the manager of information technology department of the Group, primarily responsible for managing the maintenance and upgrading work of the information technology system. Mr. LIN has more than 20 years of information technology working experience in the cement industry. Mr. LIN graduated from the Oriental Institute of Technology majoring in electronics. He joined Asia Cement in December 1984 and joined the Group in December 2004.

Mr. LEE, Shaw-shan (李紹先), aged 53, is the manager of the quality control and research and development department of the Group. Mr. LEE is primarily responsible for the production quality control and technology research and development work of the Group. He has more than 20 years of engineering working experience in the cement industry. Mr. LEE graduated from the Tamkang University with a bachelor degree in chemistry engineering in 1977 and the Pennsylvania State University with a master degree in science in 1986. Mr. LEE joined Asia Cement in February 1981 and joined the Group in May 1998.

Mr. KAO, Ming-yu (高銘佑), aged 58, is the manager of mining operation department of the Group, primarily responsible for managing the operation of mines of the Group. Mr. KAO has more than 30 years of mining experience in the cement industry. Mr. KAO graduated from the National Cheng Kung University with a bachelor degree in mining. Mr. KAO joined Asia Cement in August 1974 and joined the Group in December 1997.

Mr. LO, Wai-kit (盧偉傑), ACCA, FCPA, CFA, aged 35, is the company secretary and one of the authorized representatives of the Company. He has more than 10 years of experience in the field of accounting and auditing. Prior to joining the Company in December 2007, Mr. LO served as a vice president of finance and accounting of CIG Yangtze Ports PLC, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. LO is an associate member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, a CFA charterholder and hold a degree of Bachelor of Arts (Honours) in Accountancy from the City University of Hong Kong.

Directors' Report

The Directors are pleased to present their first Annual Report, including the audited consolidated financial statements for the year ended 31 December 2008.

Group Reorganization

The Company was incorporated as a limited company in Cayman Islands on 7 April 2004.

Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the initial public offering of the shares of the Company on the Main Board of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group. Further details of the Group's reorganisation are set forth in the Company's listing prospectus dated 5 May 2008 (the "Prospectus").

The shares of the Company have been listed on the Main Board of the Stock Exchange since 20 May 2008 (the "Listing Date").

Principal Activities

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

Results and Dividends

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 39.

The Directors recommended the payment of a final dividend of RMB0.10 per ordinary share, totaling RMB155,625,000 in respect of the year to shareholders on the register of members on 17 June 2009. The proposed final dividend for the year ended 31 December 2008 has been approved at the Company's Board meeting on 14 April 2009. Details of the dividends for the year ended 31 December 2008 are set forth in note 14 to the financial statements.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 10 June 2009 to Wednesday, 17 June 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 9 June 2009.

Directors' Report (Continued)

Use of Proceeds from the Initial Public Offering ("IPO")

On 20 May 2008, the Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong. On 6 June 2008, the sole global coordinator on behalf of the international underwriters exercised an Over-Allotment Option of 56,250,000 shares. Total net proceeds received by the Company from the IPO were approximately HK$2,049.8 million.

During the financial year, approximately RMB357.1 million was used for the purposes and approximately in the amounts set out below:

— Approximately RMB61.4 million was used for the expansion of production facilities;

— Approximately RMB185.8 million was used for general working capital.

— Approximately RMB109.9 million was used for repayment of bank loans.

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

Reserves

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

Distributable Reserves

As at 31 December 2008, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB3,324.0 million. The amount of approximately RMB3,324.0 million includes the Company's share premium account of approximately RMB3,369.9 million and accumulated losses of approximately RMB45.9 million in aggregate as at 31 December 2008, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB0.9 million.

Property, Plant and Equipment

Details of movement of property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

Share Capital and Share Options

Details of the movements in share capital and share options of the Company during the year are set forth in notes 29 and 33 to the financial statements, respectively.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Major Customers and Suppliers

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

— Aggregate purchase attributable to the Group's five largest suppliers were less than 30% of total purchases of the Group in both the years of 2007 and 2008.

— Aggregate sales attributable to the Group's five largest customers were less than 30% of the total turnover of the Group in both the years of 2007 and 2008.

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

Directors

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

Chairman and non-executive Director

Mr. HSU, Shu-tong (appointed on 27 April 2008)

Executive Directors

Mr. CHANG, Tsai-hsiung (appointed on 27 April 2008)
Madam CHIANG SHAO, Ruey-huey (appointed on 27 April 2008)
Mr. CHANG, Chuen-kuen (appointed on 27 April 2008)
Mr. LIN, Seng-chang (appointed on 27 April 2008)
Dr. WU, Chung-lih (appointed on 27 April 2008)

Independent non-executive Directors

Mr. LIU, Zhen-tao (appointed on 27 April 2008)
Mr. LEI, Qian-zhi (appointed on 27 April 2008)
Mr. TSIM, Tak-lung Dominic (appointed on 27 April 2008)
Dr. WONG, Ying-ho Kennedy (appointed on 27 April 2008)

Directors' Report (Continued)

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

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

Directors' and Senior Managements' Biographies

Biographical details of the Directors of the Company and the senior management of the Group are set forth on pages 21 to 24 of the Annual Report.

Emoluments of Directors and the Five Highest Paid individuals of the Company

Details of the emoluments of the directors and the five highest paid individuals of the Company in 2008 are set in note 13 to the financial statements.

Directors' Interests in Significant Contracts

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

Directors' Service Contracts

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

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

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

Appointment of Independent non-executive Directors

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

Directors' Right to Acquire Shares or Debentures

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

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 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

	Number of ordinary shares			
Name of Director	**Personal interests**	**Equity derivatives** *(Note 1)*	**Total interests**	**% of the Company's issued shares**
Mr. Chang, Tsai-hsiung	165,500	1,500,000	1,665,500	0.11%
Madam Chiang Shao, Ruey-huey	40,000	400,000	440,000	0.03%
Mr. Hsu, Shu-tong	—	3,000,000	3,000,000	0.19%
Mr. Chang, Chen-kuen	—	400,000	400,000	0.03%
Mr. Lin, Seng-chang	—	400,000	400,000	0.03%
Mr. Wu, Chung-lih	—	400,000	400,000	0.03%

Note:

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

Directors' Report (Continued)

Long positions in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Type of interest: Personal	Type of interest: Through spouse	Type of interest: Corporate	No. of shares in the associated corporation	Percentage of shareholding in the associated corporation
Mr. Chang, Tsai-hsiung	Asia Cement Corporation ("Asia Cement")	396,127	66,476	—	462,603	0.02%
	Oriental Industrial Holdings Pte., Ltd ("Oriental Industrial")	2,000	—	—	2,000	0.0004%
Madam Chiang Shao, Ruey-huey	Asia Cement	66,069	2,109	—	68,178	0.002%
	Oriental Industrial	1,000	—	—	1,000	0.0002%
Mr. Hsu, Shu-tong	Asia Cement	20,074,271	7,006,088	—	27,080,359	0.93%
	Asia Cement (Singapore) Private Limited ("Asia Cement Singapore")	2	—	—	2	0.00002%
	Oriental Industrial	4,000	—	—	4,000	0.0009%
Mr. Chang, Chen-kuen	Asia Cement	267,247	4,282	—	271,529	0.009%
Mr. Lin, Seng-chang	Asia Cement	197,149	425	—	197,574	0.007%

Saved as disclosed above, as at 31 December 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 31 December 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%
Falcon Investment Private Limited	Beneficial owner	11,074,000	0.71%
U-Ming Marine Transport (Singapore) Private Limited (*Note 1*)	Interest by attribution	11,074,000	0.71%
U-Ming Marine Transport Corporation ("U-Ming Marine") (*Note 2*)	Interest by attribution	11,074,000	0.71%
Asia Cement (*Note 3*)	Beneficial owner and interest by attribution	1,136,074,000	73.00%
Far Eastern Textile Ltd. (*Note 4*)	Interest by attribution	1,136,074,000	73.00%
J.P. Morgan Chase & Co. (*Note 5*)	Beneficial owner, investment manager and custodian corporation	139,765,200	8.98%

Notes:

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

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

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

Directors' Report (Continued)

4. 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.

5. The shares held by J.P. Morgan Chase & Co. are held in the capacity as investment manager (relating to 117,119,500 shares) and custodian corporation/approved lending agent (relating to 22,645,700 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 31 December 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 person who is neither the employee nor the Director of the Group may exercise the share options after 6 months the share options are granted to him.

Details of the share options outstanding as at 31 December 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 year	Options exercised during the year	Option lapsed on expiry	Options cancelled upon termination of employment	Option outstanding at 31 December 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

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

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

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

Directors' Report (Continued)

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

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

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

The amount payable by a grantee on acceptance of a grant of options is HK$1.00.

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

The Share Option Scheme will expire on 26 April 2018. No options has been granted under the Share Option Scheme as at 31 December 2008, or as at the date of this Annual Report.

Emolument Policy

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

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

The Group operates a Mandatory Provident Fund ("MPF") Scheme under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2008.

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

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

Non-competition Undertaking

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

Long Term Receivables

Details of long term receivables from the Ruichang City Government and the Wuhan City Government are set out in note 28 to the financial statements.

Receivable from the Ruichang City Government

During 2008, approximately RMB1.4 million had been repaid by the Ruichang City Government. Of such repayment, approximately RMB0.9 million was made by offsetting land use tax payments of Jiangxi Yadong to the Ruichang City Government and approximately RMB0.5 million was made by offsetting the dividends paid to Jiangxi City Construction Materials Group Company (being the minority shareholder of Jiangxi Yadong and an investment vehicle of Ruichang City Government).

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

Receivable from the Wuhan City Government

As Hubei Yadong's cement production has not yet commenced in 2008, no tax obligation arise to offset the receivable.

The Directors are of the view that with the commencement of Hubei Yadong's cement production in first quarter of 2009, it will generate positive tax obligation that to offset the receivable. The Directors consider that the advance will be fully recoverable by 2014.

The independent non-executive Directors concluded that no claim under the indemnity provided by Asia Cement is necessary for 2008.

Pre-Emptive Rights

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

Directors' Report (Continued)

Continuing Connected Transaction

On 1 January 2008, Nanchang Yadong Cement Co., Ltd ("Nanchang Yadong") entered into an agreement with Nanchang Changli Iron & Steel Co., Ltd ("Nanchang Changli") whereby Nanchang Yadong agreed to purchase slag from Nanchang Changli (the "Slag Purchase Agreement"). The Slag Purchase Agreement is for a term commencing from 1 January 2008 until 31 December 2008. Pursuant to the Slag Purchase Agreement, Nanchang Yadong agreed to purchase 40,000 to 45,000 tonnes of slag per month from Nanchang Changli. The unit purchase price of slag under the Slag Purchase Agreement is RMB37.44 per tonne. Nanchang Yadong, an indirect non wholly-owned subsidiary of the Company, is owned as to 50% by Jiangxi Yadong, as to 25% by Oriental Holding and as to 25% by Nanchang Changli. As Nanchang Changli is a substantial shareholder of Nanchang Yadong, Nanchang Changli is a connected person (as such term is defined under the Listing Rules) of the Company. Nanchang Changli is principally engaged in the production and sale of steel.

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

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

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

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

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

(iii) has not exceeded its maximum aggregate annual value set out above for the financial year ended 31 December 2008.

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

Sufficiency of Public Float

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

Auditors

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

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

14 April 2009

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Asia Cement (China) Holdings Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 99, which comprise the consolidated balance sheet as at 31 December 2008 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended 31 December 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.

Independent Auditor's Report (continued)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
14 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Revenue	7	**3,248,152**	2,254,590
Cost of sales		**(2,340,149)**	(1,622,073)
Gross profit		**908,003**	632,517
Other income	9a	**116,075**	85,089
Other expenses	9b	**(54,471)**	(22,950)
Distribution and selling expenses		**(196,188)**	(146,440)
Administrative expenses		**(151,641)**	(95,649)
Share of profit of jointly controlled entities		**2,088**	1,486
Finance costs	10	**(156,859)**	(106,878)
Profit before tax		**467,007**	347,175
Income tax expense	11	**(28,606)**	(39,878)
Profit for the year	12	**438,401**	307,297
Attributable to:			
Equity holders of the Company		**410,717**	246,200
Minority interests		**27,684**	61,097
		438,401	307,297
		RMB	RMB
Earnings per share	15		
Basic		**0.30**	0.26
Diluted		**0.30**	N/A

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**6,908,257**	4,898,567
Quarry	17	**71,434**	57,503
Prepaid lease payments	18	**284,758**	285,793
Interests in jointly controlled entities	19	**30,275**	28,187
Deposits paid for purchase of land use rights		**185,268**	96,295
Deferred tax assets	27	**10,637**	6,999
Long term receivables	28	**53,070**	29,518
		7,543,699	5,402,862
CURRENT ASSETS			
Inventories	20	**415,485**	279,712
Available-for-sale investments	21	**—**	125,689
Long term receivables — due within one year	28	**6,140**	1,890
Trade and other receivables	22	**767,070**	576,910
Tax recoverable		**8,519**	3,298
Prepaid lease payments	18	**7,939**	7,075
Amounts due from related companies	24	**37**	1,332
Restricted bank deposits	23	**102,943**	110,563
Time deposits	23	**20,000**	—
Bank balances and cash	23	**2,078,228**	620,216
		3,406,361	1,726,685
CURRENT LIABILITIES			
Trade and other payables	25	**525,414**	343,420
Amounts due to related companies	24	**7,487**	6,394
Tax payables		**4,747**	20,825
Bank borrowings — due within one year	26	**1,309,722**	654,004
		1,847,370	1,024,643
NET CURRENT ASSETS		**1,558,991**	702,042
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,102,690**	6,104,904

	Notes	**2008 RMB'000**	2007 RMB'000
NON-CURRENT LIABILITIES			
Bank borrowings — due after one year	26	**2,503,898**	1,818,543
Deferred tax liabilities	27	**7,778**	3,398
		2,511,676	1,821,941
NET ASSETS		**6,591,014**	4,282,963
CAPITAL AND RESERVES			
Share capital	29	**139,549**	2
Reserves		**6,332,072**	3,843,683
Equity attributable to equity holders of the Company		**6,471,621**	3,843,685
Minority interests		**119,393**	439,278
TOTAL EQUITY		**6,591,014**	4,282,963

The consolidated financial statements on pages 39 to 99 were approved and authorised for issue by the Board of Directors on 14 April 2009 and are signed on its behalf by:

CHANG, TSAI-HSIUNG
DIRECTOR

CHIANG SHAO, RUEY-HUEY
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 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 *(Note f)*	**Special reserve** RMB'000 *(Note g)*	**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	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)
Partial disposal of a subsidiary *(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	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	—	—	—	—	—	3,151	—	—	3,151	—	3,151
Profit for the year	—	—	—	—	—	—	—	410,717	410,717	27,684	438,401
Release upon disposal of available-for-sale investments	—	—	—	—	—	(4,840)	—	—	(4,840)	—	(4,840)
Total recognised income for the year	—	—	—	—	—	(1,689)	—	410,717	409,028	27,684	436,712

	Attributable to equity holders of the Company										
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000 *(Note a)*	Other reserves RMB'000 *(Note f)*	Special reserve RMB'000 *(Note g)*	Revaluation reserve RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Minority interests RMB'000	Total RMB'000
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	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
Appropriation	—	—	58,587	—	—	—	—	(58,587)	—	—	—
Acquisition of minority interest *(Note d)*	—	—	—	—	54,216	—	—	—	54,216	(344,481)	(290,265)
Recognition of equity-settled share-based payment	—	—	—	—	—	—	7,748	—	7,748	—	7,748
Dividends *(Note c)*	—	—	—	—	—	—	—	—	—	(3,088)	(3,088)
At 31 December 2008	139,549	3,376,570	164,947	286,038	1,673,893	—	7,748	822,876	6,471,621	119,393	6,591,014

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 31 December 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.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2008

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 in equity.

   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 in equity and 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.

f. Other reserves prior to 2007 mainly represent capital contribution from Asia Cement and the minority shareholders and the Payments made by Asia Cement in the previous years (refer to note b for details of the Payment).

g. Special reserve mainly represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of share capital and share premium of the subsidiaries acquired by the Company through the exchange of shares during the Company's reorganization in 2004.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 **RMB'000**	2007 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**467,007**	347,175
Adjustments for:		
Allowance for doubtful debts, net of reversal	**8,593**	6,900
Depreciation and amortisation	**340,068**	284,016
Interest expenses	**156,859**	106,878
Gain on disposal of property, plant and equipment	**(152)**	(28,997)
Gain on disposal of available-for-sale investments	**(4,840)**	(1,140)
Interest income	**(46,654)**	(21,364)
Imputed interest income	**(810)**	(382)
Share of profit of jointly controlled entities	**(2,088)**	(1,486)
Equity-settled share-based payment expense	**7,748**	—
Adjustment of exchange gain	**(1,770)**	—
Salaries and other benefits paid by Asia Cement Group	**17,893**	25,441
Fair value adjustment on long term receivables	**—**	2,115
Operating cash flows before movements in working capital	**941,854**	719,156
Increase in inventories	**(135,773)**	(91,095)
Increase in trade and other receivables	**(198,961)**	(177,582)
Decrease in amounts due from related companies	**1,295**	338
Increase in trade and other payables	**99,714**	64,959
Increase in amounts due to related companies	**1,625**	3,274
Cash generated from operations	**709,754**	519,050
Income taxes paid	**(49,163)**	(36,049)
NET CASH FROM OPERATING ACTIVITIES	**660,591**	483,001
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(2,221,262)**	(1,173,250)
Purchase of land use rights	**(5,685)**	(24,398)
Increase in deposits paid for land use rights	**(90,673)**	(23,419)
Increase in time deposits	**(20,000)**	—
Decrease in long term receivables	**1,390**	2,526
Proceeds on disposal of property, plant and equipment	**1,562**	20,500
Purchase of quarry	**(17,330)**	(6,640)
Acquisition of available-for-sale investments	**(388,300)**	(213,020)
Proceeds on disposal of available-for-sale investments	**517,140**	121,160
Decrease (increase) in restricted bank deposits	**7,620**	(44,340)
Increase in long term receivables	**(28,382)**	(20,550)
Receipts from government for relocation compensation	**—**	20,100
Interest received	**42,721**	22,504
NET CASH USED IN INVESTING ACTIVITIES	**(2,201,199)**	(1,318,827)

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2008

	2008 RMB'000	2007 RMB'000
FINANCING ACTIVITIES		
Proceeds from issue of new shares	1,907,372	294,785
Issue cost of new shares	(56,816)	—
Capital contributions from a minority shareholder	—	165,674
Bank borrowings raised	2,198,812	953,291
Repayments of borrowings	(853,598)	(620,306)
Advances from Asia Cement	11,262	294,785
Repayments of advances to Asia Cement	(11,794)	(296,839)
Dividend paid by subsidiaries to minority shareholders of those subsidiaries	(3,088)	(2,366)
Interest paid	(193,530)	(133,181)
NET CASH FROM FINANCING ACTIVITIES	2,998,620	655,843
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,458,012	(179,983)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	620,216	800,199
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	2,078,228	620,216

Notes to the Financial Statements

For the year ended 31 December 2008

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.

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

In the current year, the Group has applied the following amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB which are or have become effective.

IAS 39 & IFRS 7 (Amendments)	Reclassification of Financial Assets
IFRIC 11	IFRS 2: Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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.

The Group has not early adopted the following these new and revised standards, amendments or interpretations that have been issued but are not yet effective.

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]
IAS 39 (Amendment)	Eligible Hedged Items[3]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

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

IFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combinations[3]
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
IFRS 8	Operating Segments[2]
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives[4]
IFRIC 13	Customer Loyalty Programmes[5]
IFRIC 15	Agreements for the Construction of Real Estate[2]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[6]
IFRIC 17	Distributions of Non-cash Assets to Owners[3]
IFRIC 18	Transfers of Assets from Customers[7]

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 ending on or after 30 June 2009
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfers received on or after 1 July 2009

The adoption of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material effect on the results and financial position of the Group.

3. Significant Accounting Policies

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

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

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.

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

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.

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

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

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

Change in interests in subsidiaries that do not result in a change of control

Changes in the Group's ownership interest in a subsidiary after control is obtained that do not result in a change of control are accounted for as transaction between equity holders in their capacity as equity holders. No gain or loss is recognised in profit or loss on such changes. The carrying amount of the minority interest is adjusted to reflect the change in the Group's interest in the subsidiary's net assets. Any difference between the amount by which the minority interest is so adjusted and the fair value of the consideration paid or received, if any, is recognised directly in equity and attributed to equity holders of the Company.

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 net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

3. Significant Accounting Policies (continued)

Property, plant and equipment

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

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

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

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.

3. Significant Accounting Policies (continued)

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

Revenue from sales of goods are recognised when goods are delivered and title has been passed.

Transportation fee income is recognised when the service is provided.

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

3. Significant Accounting Policies (continued)

Leasing (continued)

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 year 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.

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 year in which they become receivable.

Retirement benefit costs

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

3. Significant Accounting Policies (continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated 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 base 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 that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

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 or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets.

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Interest 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, restricted bank deposits, time deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

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

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 profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (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 affected.

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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Effective interest method

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

Financial liabilities

Financial liabilities (including borrowings, trade and other payables and amounts due to related 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.

Transaction costs of equity transaction

The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

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

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. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

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.

3. Significant Accounting Policies (continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

At each balance sheet date, the Group revises its estimate of number of the 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 option reserve.

For share options which are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

4. Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at 31 December 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 and long term receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2008, the carrying amount of trade and other receivables and long term receivables is RMB704,515,000 (2007: RMB522,014,000), net of allowance for doubtful debts of RMB27,329,000 (2007: RMB19,814,000).

5. Capital Risk Management

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

5. Capital Risk Management (continued)

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

	2008 **RMB'000**	2007 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,918,567**	1,253,724
Available-for-sale investments	**—**	125,689
Financial liabilities		
Amortised cost	**4,224,060**	2,730,100

b. Financial risk management objectives and policies

The Group's major financial instruments include long term receivables, trade and other receivables, trade and other payables, amounts due 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 31 December 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.

6. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Credit risk (continued)

In order to minimise the credit risk, management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at 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.

The Group is exposed to the concentration of credit risk in relation to the long term receivables from Ruichang City Government and the Wuhan City Government (see note 28 for details of 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 interest rate risk, foreign currency rate risk and price risk of investment funds. 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) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to risk in relation to the long term receivables, restricted bank deposits and fixed-rate borrowings (see notes 23, 26 and 28 for details of these long term receivable, bank balances 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.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, time deposits, restricted bank deposits and borrowings (see notes 23 and 26 for details of these bank deposits and balances and borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

6. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(i) *Interest rate risk (continued)*

Sensitivity analysis

The sensitivity analysis have been determined based on the exposure to interest rates for variable-rate borrowings and bank balances at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the year ended 31 December 2008 in the case of instruments that have floating rates. A 100 basis points (2007: 50 basis points) increase or decrease is used which represents management's assessment of the possible change in interest rate. As a result of the volatile financial market, the management adjusted the sensitivity rate from 50 basis points to 100 basis points in the current year for the purpose of analysing interest rate risk.

Borrowings

If interest rates had been 100 basis points (2007: 50 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year would decrease/increase by approximately RMB31,613,000 (2007: RMB10,486,000). This is mainly attributable to the Group's exposure to the interest rates on its variable-rate borrowings.

Bank deposits and balances

If interest rates had been 100 basis points (2007: 50 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year would increase/decrease by approximately RMB6,572,000 (2007: RMB1,460,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank deposits and balances.

(ii) *Currency risk*

Certain bank deposits and bank borrowings of the Group (as disclosed in note 23 and 26 respectively) 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.

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2007: 5%) increase and decrease in Renminbi against the relevant foreign currencies. As a result of the volatile financial market in 2008, the management adjusted the sensitivity rate from 5% to 10% for the purpose of assessing foreign currency risk. Hence, 10% (2007: 5%) are the sensitivity rates used in the current year which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2007: 5%) change in foreign currency rates.

6. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(ii) *Currency risk (continued)*

Sensitivity analysis (continued)

A (negative) positive number indicates a (decrease) increase in profit where Renminbi strengthen 10% (2007: 5%) against US dollars, Hong Kong dollars and Euros. For a 10% (2007: 5%) weakening of Renminbi against US dollars, Hong Kong dollars and Euros, there would be an equal and opposite impact on the profit for the year.

	Impact of US dollars		Impact of Hong Kong dollars		Impact of Euros	
	2008	2007	**2008**	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Sensitivity rate	**10%**	5%	**10%**	5%	**10%**	5%
(Decrease) increase in profit	**(64,050)**	3,231	**609**	1,805	**(885)**	(300)

(iii) *Price risk*

The Group's available-for-sale investments in 2007 were measured at fair value based on the quoted price provided by the fund managers with reference to the underlying assets of the funds at the balance sheet date. Therefore, the Group was exposed to price risk in 2007. The Group had not used any financial instruments to hedge against price risk. However, the management monitored the price risk exposure and would consider hedging significant price risk exposure should the need arise. The Group is not exposed to price risk in 2008 as the Group does not have available-for-sale investments as at 31 December 2008. As at 31 December 2007, if the prices of the respective investment funds had been 5% higher/lower, the revaluation reserve of the Group would increase/decrease by approximately RMB6,200,000 as a result of the change in fair value of available-for-sale investments.

Liquidity risk management

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

6. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

The following tables detail the Group's remaining contractual maturity for its financial liabilities. 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 interest rate for the variable interest rates borrowings has been calculated using the interest rates prevailing at the balance sheet date.

Liquidity risk table

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

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. The fair value of the available-for-sales investments is based on valuation provided by investment fund managers with reference to the market value of the underlying assets of the funds.

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 year is as follows:

	2008	2007
	RMB'000	RMB'000
Sales of cement products and related products	**2,889,662**	2,078,005
Sales of concrete	**358,490**	176,585
	3,248,152	2,254,590

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

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 year ended 31 December 2008

	Cement business RMB'000	Concrete business RMB'000	Elimination RMB'000	Consolidated RMB'000
Consolidated Income Statement				
Revenue				
External sales	2,889,662	358,490	—	3,248,152
Inter-segment sales	76,463	26,758	(103,221)	—
Total	2,966,125	385,248	(103,221)	3,248,152
Result				
Segment result	632,351	5,083		637,434
Unallocated income				76,752
Unallocated expense				(92,408)
Share of profit of jointly controlled entities				2,088
Finance costs				(156,859)
Profit before tax				467,007
Income tax expense				(28,606)
Profit for the year				438,401

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Consolidated RMB'000
Other Information				
Capital expenditure	2,260,143	97,399	7,386	2,364,928
Depreciation and amortisation	305,210	26,260	8,598	340,068
(Gain) loss on disposal of property, plant and equipment	(168)	—	16	(152)
Allowance for doubtful debts, net of reversal	1,446	7,448	(301)	8,593

8. Business and Geographical Segments (continued)

Business segment (continued)

For the year ended 31 December 2007

	Cement business RMB'000	Concrete business RMB'000	Elimination RMB'000	Consolidated RMB'000
Consolidated Income Statement				
Revenue				
External sales	2,078,005	176,585	—	2,254,590
Inter-segment sales	115,982	10,127	(126,109)	—
Total	2,193,987	186,712	(126,109)	2,254,590
Result				
Segment result	423,356	(7,439)		415,917
Unallocated income				62,849
Unallocated expense				(26,199)
Share of profit of jointly controlled entities				1,486
Finance costs				(106,878)
Profit before tax				347,175
Income tax expense				(39,878)
Profit for the year				307,297

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Consolidated RMB'000
Other Information				
Capital expenditures	1,220,885	76,556	19,960	1,317,401
Depreciation and amortisation	260,447	16,747	6,822	284,016
(Gain) loss on disposal of property, plant and equipment	(393)	(28,750)	146	(28,997)
Allowance for doubtful debts, net of reversal	(3,687)	10,487	100	6,900

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

8. Business and Geographical Segments (continued)

Business segment (continued)

At 31 December 2008

	Cement business RMB'000	Concrete business RMB'000	Consolidated RMB'000
Consolidated balance sheet			
Assets			
Segment assets	**8,117,017**	**537,085**	**8,654,102**
Unallocated corporate assets			**2,295,958**
Consolidated total assets			**10,950,060**
Liabilities			
Segment liabilities	**435,815**	**82,346**	**518,161**
Unallocated corporate liabilities			**3,840,885**
Consolidated total liabilities			**4,359,046**

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.

9a. Other Income

	2008 RMB'000	2007 RMB'000
Interest income on bank deposits	**46,654**	21,364
Imputed interest income on long term receivables	**810**	382
Government grant *(Note 36)*	**20,375**	9,135
Transportation fee income	**11,125**	7,518
Sales of scrap materials	**12,098**	5,809
Rental income, net of outgoings *(Note 1)*	**657**	226
Investment incentives from the PRC government *(Note 2)*	**15,798**	—
Exchange gain, net	**—**	9,357
Gain on disposal of property, plant and equipment	**152**	28,997
Gain on disposal of available-for-sale investments	**4,840**	1,140
Others	**3,566**	1,161
	116,075	85,089

Note 1: The direct operating expenses from investment properties that generate income amount to approximately RMB1,047,000 (2007: approximately RMB75,000).

Note 2: In November 2007, the Group increased its investments in certain subsidiaries by capitalising retained earnings of approximately RMB169,117,000 as paid up capital of the relevant subsidiaries. As a result, the Group was entitled to a tax refund which was calculated based on the prevailing tax rate on the amount capitalised. Such incentive has been recognised as other income when they become receivable in the current year.

9b. Other Expenses

	2008 RMB'000	2007 RMB'000
Exchange loss, net	**31,497**	—
Listing expenses	**14,381**	13,935
Fair value adjustment on long term receivables	**—**	2,115
Allowance for doubtful debts, net of reversal	**8,593**	6,900
	54,471	22,950

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

10. Finance Costs

	2008 RMB'000	2007 RMB'000
Interests on bank borrowings:		
— Wholly repayable within five years	**204,377**	121,555
— Not wholly repayable within five years	**8,102**	12,366
Total borrowing costs	**212,479**	133,921
Less: Interest capitalised	**(55,620)**	(27,043)
	156,859	106,878

Borrowings costs capitalised during the year ended 31 December 2008 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.74% (2007: 4.49%) per annum to expenditure on qualifying assets.

11. Income Tax Expense

	2008 RMB'000	2007 RMB'000
The tax expense comprises:		
Current tax:		
— PRC enterprise income tax	**29,204**	41,384
— Other jurisdictions	**153**	395
	29,357	41,779
Overprovision in prior years	**(1,493)**	—
Deferred tax *(Note 27)*	**742**	(1,901)
	28,606	39,878

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

11. Income Tax Expense (continued)

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, Oriental Holding Co., Ltd and Wuhan Yali Cement Products 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 (the "Tax Holiday").

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 would be unified at 25% effective from 1 January 2008. There would be a transitional period for PRC subsidiaries that currently are entitled to preferential tax treatments granted by the relevant tax authorities. PRC subsidiaries that were entitled to Tax Holiday 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 would 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.

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 years.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

11. Income Tax Expense (continued)

The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2008 RMB'000	2007 RMB'000
Profit before tax	**467,007**	347,175
Tax at the PRC Enterprise Income tax rate of 25% (2007: 15%)	**116,751**	52,076
Tax effect of expenses not deductible for tax purposes	**22,369**	6,235
Tax effect of different tax rate of subsidiaries	**850**	5,117
Tax effect of share of profit of jointly controlled entities	**(522)**	(223)
Tax effect of income not taxable for tax purposes	**(4,463)**	(1,509)
Effect of tax exemption granted to PRC subsidiaries	**(108,592)**	(20,817)
Income tax on concessionary rate for PRC subsidiaries	**(2,139)**	(1,343)
Overprovision of taxation in prior year	**(1,493)**	—
Tax effect of tax loss not recognised	**1,028**	424
Tax effect of change in tax rate due to New Law	**—**	267
Tax effect of utilisation of tax losses not previously recognised	**—**	(349)
Deferred tax charge on undistributed earnings of subsidiaries	**4,817**	—
Tax charge for the year	**28,606**	39,878

Tax rate of 25% (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 year.

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

12. Profit for the Year

	2008	2007
	RMB'000	RMB'000
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
— Property, plant and equipment	**329,113**	275,871
— Prepaid lease payments	**7,556**	5,838
— Quarry	**3,399**	2,307
	340,068	284,016
Auditor's remuneration	**6,609**	2,225
Staff costs, including directors' remuneration *(Note 13)*		
Salaries and other benefits	**150,113**	109,146
Retirement benefits scheme contributions	**7,692**	5,172
Total staff costs	**157,805**	114,318
Rental payments under operating leases	**7,630**	7,414

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

13. Directors' and Employees' Emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2007: two) directors are set out below:

Year ended 31 December 2008

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

Year ended 31 December 2007

	Fee RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Equity-settled share-based payment RMB'000	Total RMB'000
Mr. Hsu, Shu-tong	—	260	—	—	260
Mr. Chang, Tsai-hsiung	—	451	—	—	451
	—	711	—	—	711

None of the directors waived any emoluments for both years.

13. Directors' and Employees' Emoluments (continued)

(b) Employees' emoluments

For the year ended 31 December 2008, the five highest paid individuals are the directors of the Company. For the year ended 31 December 2007, the five highest paid individuals included one director of the Company, whose emoluments are included in the disclosures in note (a) above. The emoluments of the remaining four individuals with the highest emoluments during that year were as follows:

	2007 RMB'000
Salaries and other benefits	4,640
Retirement benefits scheme contributions	—
	4,640

Their emoluments are within the following bands:

	2007 Number of employees
Nil to HK$1,000,000	1
HK$1,000,001–HK$1,500,000	3
	4

14. Dividends

No dividend was paid during the years ended 31 December 2007 and 2008. Final dividends of RMB10 cents per share (2007: Nil), amounting to RMB155,625,000 (2007: Nil) has been proposed by the directors and is subject to approval by the shareholders of the Company at the forthcoming general meeting.

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

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:

	2008 RMB'000	2007 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to equity holders of the Company)	**410,717**	246,200

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,370,344**	947,976

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.

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

No diluted earnings per share was presented for the year ended 31 December 2007 as there was no potential dilutive ordinary shares outstanding during that year.

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	928,445	2,851,896	133,957	202,091	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	94,560	966,485	28,201	12,515	—	(1,101,761)	—
At 31 December 2007	1,081,724	3,798,800	186,678	236,236	158	588,980	5,892,576
Additions	2,966	24,195	18,572	33,724	—	2,260,756	2,340,213
Disposals	—	(80)	(997)	(2,972)	(158)	—	(4,207)
Transfer	167,997	408,398	9,410	21,787	—	(607,592)	—
At 31 December 2008	**1,252,687**	**4,231,313**	**213,663**	**288,775**	**—**	**2,242,144**	**8,228,582**
ACCUMULATED DEPRECIATION							
At 1 January 2007	86,039	542,785	54,481	67,221	158	—	750,684
Provided for the year	28,526	201,349	19,859	26,137	—	—	275,871
Eliminated on disposals	(170)	(19,861)	(1,402)	(11,113)	—	—	(32,546)
At 31 December 2007	114,395	724,273	72,938	82,245	158	—	994,009
Provided for the year	34,135	231,324	25,502	38,152	—	—	329,113
Eliminated on disposals	—	(9)	(494)	(2,136)	(158)	—	(2,797)
At 31 December 2008	**148,530**	**955,588**	**97,946**	**118,261**	**—**	**—**	**1,320,325**
CARRYING AMOUNTS							
At 31 December 2008	**1,104,157**	**3,275,725**	**115,717**	**170,514**	**—**	**2,242,144**	**6,908,257**
At 31 December 2007	967,329	3,074,527	113,740	153,991	—	588,980	4,898,567

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

16. Property, Plant and Equipment (continued)

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

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

17. Quarry

	RMB'000
COST	
At 1 January 2007	74,530
Additions	6,640
At 31 December 2007	81,170
Additions	17,330
At 31 December 2008	**98,500**
AMORTISATION	
At 1 January 2007	21,360
Provided for the year	2,307
At 31 December 2007	23,667
Provided for the year	3,399
At 31 December 2008	**27,066**
CARRYING VALUES	
At 31 December 2008	**71,434**
At 31 December 2007	57,503

Amortisation is provided to write off the cost of quarry over 30 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:

	2008 **RMB'000**	2007 RMB'000
Non-current assets	**284,758**	285,793
Current assets	**7,939**	7,075
	292,697	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 31 December 2008, prepaid lease payments with carrying value of approximately RMB40,047,000 (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

	2008 **RMB'000**	2007 RMB'000
Investments in jointly controlled entities, at cost	**22,624**	22,624
Share of post-acquisition profits, net of dividends received	**7,651**	5,563
	30,275	28,187

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

19. Interests in Jointly Controlled Entities (continued)

At 31 December 2008 and 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	50%	Provision of transportation services
成都亞鑫礦渣微粉有限公司 Chengdu Ya Xin Slag Micro Powder Co. Ltd.	Sino-foreign equity joint venture	The PRC	49%	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:

	2008 RMB'000	2007 RMB'000
Current assets	**8,306**	11,844
Non-current assets	**29,906**	32,781
Current liabilities	**(4,267)**	(10,938)
Non-current liabilities	**(3,670)**	(5,500)
Income	**24,181**	21,756
Expense	**(22,093)**	(20,270)

20. Inventories

	2008 RMB'000	2007 RMB'000
Spare parts and ancillary materials	**182,691**	167,152
Raw materials	**177,458**	69,021
Work-in-progress	**25,018**	16,712
Finished goods	**30,318**	26,827
	415,485	279,712

21. Available-for-sale Investments

	2008 RMB'000	2007 RMB'000
Investment fund units, at fair value	**—**	125,689

The interest in investment funds represented 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 had 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 was based on valuation provided by investment fund managers with reference to the value of the underlying assets of the funds.

In the current year, the Group disposed of all units in investment funds above with carrying amount of RMB517,140,000 (2007: RMB121,160,000). A gain on disposal of RMB4,840,000 (2007: RMB1,140,000) has been recognised in the consolidated income statement for the year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

22. Trade and Other Receivables

	2008 RMB'000	2007 RMB'000
Trade receivables	**647,348**	485,985
Less: accumulated allowance	**(24,956)**	(18,521)
	622,392	467,464
Other receivables	**25,286**	24,435
Less: accumulated allowance	**(2,373)**	(1,293)
	22,913	23,142
	645,305	490,606
Advances to suppliers	**80,642**	49,456
Deposits	**4,325**	1,446
Prepayments	**2,060**	3,158
Value-added tax receivable	**34,738**	32,244
	767,070	576,910

The Group has a policy of allowing a credit period from 30 to 60 days for cement customers, whereas longer credit term are occasionally allowed to certain selected customers with good credit histories. In addition, the Group's credit policy for 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:

	2008 RMB'000	2007 RMB'000
0–90 days	**435,525**	331,740
91–180 days	**125,051**	113,066
Over 180 days	**61,816**	22,658
	622,392	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 98% (2007: 98%) of the trade receivables as at 31 December 2008 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 RMB12,209,000 (2007: approximately RMB8,712,000) which are past due at 31 December 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. These trade receivables which are past due but not impaired as at 31 December 2007 and 2008 are aged over 180 days.

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

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

	Other receivables		Trade receivables	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Balance at beginning of year	**1,293**	621	**18,521**	13,844
Additions	**2,332**	926	**12,116**	13,565
Reversal	**(1,252)**	—	**(4,603)**	(7,591)
Written off	**—**	(254)	**(1,078)**	(1,297)
Balance at end of year	**2,373**	1,293	**24,956**	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 31 December 2008.

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

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

The amounts comprise bank balances and cash with an original maturity of three months or less and restricted bank deposits and time deposits with a maturity date less than a year. The restricted bank deposits, time deposits and bank balances carry interest rates ranging from 0.01% to 5.859% (2007: 0.1% to 5.54%).

The bank deposits, time deposits and bank balances and cash with fixed and floating interest rates amounted to approximately RMB1,470,766,000 (2007: RMB403,988,000) and RMB730,405,000 (2007: RMB326,791,000) respectively.

Deposit amounting to RMB102,943,000 (2007: RMB110,563,000) have been pledged to secure short-term banking facilities granted to the Group and are therefore classified as current assets. The pledged bank deposits will be released upon release of banking facilities granted by the bank.

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

	2008 RMB'000	2007 RMB'000
Denominated in US dollars	**1,465,552**	422,454
Denominated in Euros	**9,911**	6,394
Denominated in Hong Kong dollars	**23,118**	—
Denominated in Singapore dollars	**611**	1,039

24. Amounts Due From (to) Related Companies

(a) Amounts due from related companies

	2008 RMB'000	2007 RMB'000
Amounts due from:		
Jointly controlled entities (trade related)	**37**	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

	2008 RMB'000	2007 RMB'000
Amounts due to:		
Jointly controlled entities (trade related)	**6,223**	4,598
Immediate holding company (non-trade related)	**1,264**	1,796
	7,487	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

	2008 RMB'000	2007 RMB'000
Trade payables		
0–90 days	**143,794**	67,601
91–180 days	**514**	374
Over 180 days	**3,611**	580
	147,919	68,555
Accruals	**51,981**	45,266
Deposits	**77,098**	48,012
Value added tax payable	**21,167**	28,223
Construction cost payable	**172,498**	109,167
Other payables	**54,751**	44,197
	525,414	343,420

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

26. Bank Borrowings

	2008 RMB'000	2007 RMB'000
Bank borrowings		
Secured	—	4,141
Unsecured	**3,813,620**	2,468,406
	3,813,620	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:

	2008 RMB'000	2007 RMB'000
Denominated in US dollars	**802,800**	528,882
Denominated in Hong Kong dollars	**38,450**	40,824

The borrowings are repayable as follows:

	2008 RMB'000	2007 RMB'000
Within one year	**1,309,722**	654,004
In the second year	**841,209**	514,827
In the third year	**488,933**	747,878
In the fourth year	**409,792**	213,237
In the fifth year	**641,019**	142,601
After five years	**122,945**	200,000
	3,813,620	2,472,547
Less: Amounts due for settlement within12 months (shown under current liabilities)	**(1,309,722)**	(654,004)
Amounts due for settlement after 12 months	**2,503,898**	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:

	2008		2007	
	Carrying amount RMB'000	**Interest rates**	Carrying amount RMB'000	Interest rates
Fixed-rate borrowings	**315,000**	**5.58%–7.47%**	159,141	2.55%–6.56%
Variable-rate borrowings	**3,498,620**	**90% to 100% of Benchmark Rate, or LIBOR plus margin of 0.5% 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 during the year.

27. Deferred Tax

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

	Property, plant and equipment RMB'000	**Impairment of trade and other receivables** RMB'000	**Pre-operating expenses** RMB'000	**Undistributed earnings of subsidiaries** RMB'000	**Total** RMB'000
At 1 January 2007	(3,444)	2,410	2,734	—	1,700
Credit to the consolidated 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	(4,809)	4,954	3,456	—	3,601
Credit (charge) to the consolidated income statement for the year	282	1,878	1,915	(4,817)	(742)
At 31 December 2008	(4,527)	6,832	5,371	(4,817)	2,859

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

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:

	2008	2007
	RMB'000	RMB'000
Deferred tax assets	**10,637**	6,999
Deferred tax liabilities	**(7,778)**	(3,398)
	2,859	3,601

At 31 December 2008, the Group has unused tax losses of approximately RMB9,630,000 (2007: 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 31 December 2008, the unrecognised tax losses of RMB2,693,000, RMB2,827,000 and RMB4,110,000 will expire in 2011, 2012 and 2013, respectively.

As at 31 December 2008, deferred tax has been provided in respect of RMB104,822,000 undistributed earnings of the Group's PRC subsidiaries which arise since 1 January 2008. Deferred tax has not been provided in respect of the remaining temporary differences attributable to the undistributed earnings as the Group is in a position to control the quantum and timing of the distribution thereof, deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future. Deferred tax in respect of the undistributed earnings of the Group's jointly controlled entities in the PRC has not been provided as the amount involved is not significant.

As at 31 December 2008, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries and jointly controlled entities in respect of which deferred tax has not been provided for was approximately RMB419,290,000 (2007: Nil) and RMB4,635,000 (2007: Nil) respectively.

28. Long Term Receivables

	2008 RMB'000	2007 RMB'000
Receivables from		
瑞昌市人民政府 (the "Ruichang City Government") *(Note a)*	**10,962**	11,946
武汉市新洲區人民政府 (the "Wuhan City Government") *(Note b)*	**25,866**	19,462
彭州市人民政府 (the "Pengzhou City Government") *(Note c)*	**22,382**	—
	59,210	31,408
Less: Amount due within one year	**(6,140)**	(1,890)
Amount due after one year	**53,070**	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. The RMB8.05 million made in 2007 which had been adjusted to its initial fair value based on the discounted cash flows on the expected receivable amount using a discount rate of 6.84%.

In May 2003, on behalf of Asia Continent Investment Holdings Pte., Ltd. (a subsidiary of the Company), Jiangxi Yadong made a payment of 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.

As represented by the management, the advances of RMB10.962 million (2007: RMB11.946 million are unsecured and repayable through the refund of certain taxes to be payable to the Ruichang City Government and offsetting of dividends payable by Jiangxi Yadong to its minority shareholder, 江西省建材集團公司 (an investment vehicle of the Ruichang City Government). The balance as at 31 December 2008 are non-interest bearing (2007: RMB10,634,966). Included in the advances as at 31 December 2007 was approximately RMB1.3 million (2008: Nil) which was interest bearing at 2.88% per annum. The directors consider that these advances will be fully recoverable by 2017.

Upon the completion of the global offering of the Company's shares in May 2008, Asia Cement has provided an indemnity in respect of any loss on the aforesaid receivables due from the Ruichang City Government of RMB10.962 million (2007: RMB11.946 million) which cannot be recovered by Jiangxi Yadong in accordance with the expected time as per above.

b. Hubei Yadong Cement Co., Ltd ("Hubei Yadong"), a subsidiary of the Company, and the Wuhan City Government entered into two agreements. Pursuant to the first agreement entered into in March 2006, Hubei Yadong advanced funds of 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 2010.

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

28. Long Term Receivables (continued)

Notes: (continued)

b. (continued)

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. Hubei Yadong further advanced RMB6 million to the Wuhan City Government during the year ended 31 December 2008. The advances are unsecured, non-interest bearing and will be repayable through refund of the 50% of certain taxes to be paid to the Wuhan City Government upon the commencement of Hubei Yadong's cement production. The directors consider that the advance will be fully recoverable by 2014.

Upon the completion of the global offering of the Company's shares in May 2008, Asia Cement has provided an indemnity in respect of any loss on the aforesaid receivables due from the Wuhan City Government of RMB25.866 million (2007: RMB19.462 million) which cannot be recovered by Hubei Yadong in accordance with the expected time as per above.

c. In March 2004, Oriental Industrial Holdings Pte., Ltd., a subsidiary of the Company and the immediate holding company of Sichuan Yadong Cement Company Limited ("Sichuan Yadong"), and Pengzhou City Government entered into an agreement in which both parties agreed to construct certain electricity supply facilities jointly in Sichuan. The RMB6,005,000 as at 31 December 2008 represented the portion of the construction costs incurred by Sichuan Yadong on behalf of the Pengzhou City Government.

In July 2006, Sichuan Yadong entered into another agreement with the Pengzhou City Government. Pursuant to the agreement, in order to ensure sufficient supply of lime stones to the factory of Sichuan Yadong, Sichuan Yadong would borrow a bank loan of RMB200,000,000 to finance the construction of a belt for transporting the lime stones and the Pengzhou City Government of is responsible for the reimbursement of the transportation costs incurred during the construction period of the belt and the interest expenses arisen from the bank loan up to a period of 2 years from the drawn down of the loan. The receivables are unsecured, interest free and repayable on demand. As at 31 December 2008, the receivables in respect of the transportation costs and the interest expenses are RMB13,036,000 and RMB3,341,000, respectively. As at 31 December 2007, there was no receivable in respective of the transportation costs. Receivable in respect of the interest expenses as at 31 December 2007 amounted approximately RMB5,804,000 and was included in other receivable.

In January 2009, Sichuan Yadong negotiated a revised payment plan with the Pengzhou City Government in respect of the receivables. Pursuant to the revised payment plan, the receivables as at 31 December 2008 will be settled by installments of RMB5 million annually commencing from the year of 2009.

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	
Increase on 27 April 2008 *(Note a)*	9,996,200,000	999,620	
At 31 December 2008	10,000,000,000	1,000,000	
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 31 December 2008	1,556,250,000	155,625	139,549

Notes:

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

(b) On 12 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

29. Share Capital (continued)

Notes: (continued)

(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 per share (equivalent to approximately RMB4.43 per share) and listing of the Company's shares on the Stock Exchange. 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 year, 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:

	2008	2007
	RMB'000	RMB'000
Salaries and other benefits		
Directors of the Company	**2,265**	—
Employees seconded to the Group	**15,628**	25,441
	17,893	25,441

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

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

31. Operating Leases

The Group as lessee

	2008 **RMB'000**	2007 RMB'000
Minimum lease payments paid under operating lease during the year	**7,630**	7,414

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

	2008 **RMB'000**	2007 RMB'000
Within one year	**6,167**	5,733
In the second to fifth years inclusive	**17,472**	18,330
After five years	**59,108**	55,614
	82,747	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 RMB1,704,000 and RMB301,000 for the year ended 31 December 2008 and 2007, respectively. The Group leases its motor vehicles under operating lease arrangement with no fixed lease term.

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

32. Capital Commitments

	2008 RMB'000	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	**447,252**	681,862

33. Share Based Payment Transactions

(a) Pre-IPO Share Option Scheme

Equity-settled share option scheme

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

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 31 December 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).

33. Share Based Payment Transactions (continued)

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

Equity-settled share option scheme (continued)

Details of the share options which were granted under the Pre-IPO Share Option Scheme and remained outstanding as at 31 December 2008 are as follows:

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

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%**
Exercise multiple	
For director	**2**
For employee	**1.5**
Risk-free rate	**2.318%**
Expected dividend yield	**0.95%**

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

33. Share Based Payment Transactions (continued)

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

Equity-settled share option scheme (continued)

The Group recognised the total expense of RMB7,748,000 for the year in relation to share options granted by the Company.

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

(b) Share Option Scheme

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

As at 31 December 2007 and 2008, no option has been granted under the Share Option Scheme.

34. Retirement Benefits Scheme

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

The total cost charged to the consolidated income statement of RMB7,692,000 (2007: RMB5,172,000) represents contribution payable to the these schemes by the Group in respect of the current accounting period. As at 31 December 2008, contributions of RMB348,000 (2007: RMB353,000) due in respect of the year ended 31 December 2008 had not been paid over to the schemes.

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 year.

	2008	2007
	RMB'000	RMB'000
Jointly controlled entities:		
Purchase of goods	**5,641**	2,338
Transportation expenses	**24,503**	22,295

Compensation of key management personnel

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

	2008	2007
	RMB'000	RMB'000
Short-term employee benefits	**7,340**	5,351
Equity-settled share based payment	**5,280**	—
Retirement benefits scheme contributions	**95**	88
	12,715	5,439

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

36. Government Grants Income

	2008 RMB'000	2007 RMB'000
Incentive subsidies *(Note a)*	**1,040**	3
Value-added tax refund *(Note b)*	**17,074**	3,010
Others *(Note c)*	**2,261**	6,122
	20,375	9,135

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 years.

b. During the year, 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 2008	2007	Principal activity
Perfect Industrial Holdings Pte., Ltd.	22 May 1997	British Virgin Island ("BVI")	US$6,039,161	**100%**	100%	Investment holding
Oriental Industrial Holdings Pte., Ltd.	4 May 1994	Republic of Singapore ("Singapore")	S$530,545,481	**99.99%**	99.99%	Investment holding
Asia Continent Investment Holdings Pte., Ltd.	1 April 1995	Singapore	S$261,899,885	**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$203,604,433	**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

Notes to the Financial Statements (continued)

For the year ended 31 December 2008

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 2008	2007	Principal activity
南昌亞東水泥有限公司 Nanchang Yadong Cement Co., Ltd.[1]	18 January 2004	PRC	RMB90,000,000	**72.49%**	72.49%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
湖北亞東水泥有限公司 Hubei Yadong Cement Co., Ltd.[2]	23 June 2005	PRC	US$78,800,000	**99.99%**	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川亞東水泥有限公司 Sichuan Yadong Cement Co., Ltd.[2]	29 November 2004	PRC	US$112,500,000	**99.99%**	63.15%	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$39,428,000	**99.99%**	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
湖北亞利運輸有限公司 Hubei 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

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 2008	2007	Principal activity
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]	28 December 2007	PRC	RMB20,000,000	**99.99%**	99.99%	Manufacture and sale of concrete

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

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

Group Financial Summary

Results

	For the year ended 31 December				
	2004 RMB'000	2005 RMB'000 *(Note 1)*	2006 RMB'000 *(Note 1)*	2007 RMB'000 *(Note 1)*	**2008** **RMB'000**
Revenue	1,120,322	1,032,857	1,352,479	2,254,590	**3,248,152**
Profit before tax	171,275	12,331	86,264	347,175	**467,007**
Income tax expense	(21,659)	(4,240)	(18,462)	(39,878)	**(28,606)**
Profit for the year	149,616	8,091	67,802	307,297	**438,401**
Attributable to:					
Equity holders of the Company	142,227	7,681	65,243	246,200	**410,717**
Minority interests	7,389	410	2,559	61,097	**27,684**
	149,616	8,091	67,802	307,297	**438,401**

Assets and Liabilities

	At 31 December				
	2004 RMB'000	2005 RMB'000 *(Note 1)*	2006 RMB'000 *(Note 1)*	2007 RMB'000 *(Note 1)*	**2008** **RMB'000**
Total assets	3,184,567	4,536,056	5,983,651	7,129,547	**10,950,060**
Total liabilities	1,168,569	1,679,452	2,497,713	2,846,584	**4,359,046**
	2,015,998	2,856,604	3,485,938	4,282,963	**6,591,014**
Equity attributable to equity holders of the Company	1,913,312	2,749,578	3,274,642	3,843,685	**6,471,621**
Minority interests	102,686	107,026	211,296	439,278	**119,393**
	2,015,998	2,856,604	3,485,938	4,282,963	**6,591,014**

Note:

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