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

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

Asia Cement
Interim Report 2011

Contents

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 Director

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

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Principal Place of Business in Hong Kong

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Lippo Leighton Tower
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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

HONG KONG LEGAL ADVISER

O' Melveny & Myers in association with Gordon Ng & Co.
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AUDITORS

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STOCK CODE

743

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	Notes	Six months ended 30 June 2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	% Change Increase/ (Decrease)
Revenue		**3,829,295**	2,274,458	68
Gross profit		**1,130,510**	420,177	169
Profit for the period		**664,597**	141,708	369
Profit attributable to owners of the Company		**638,538**	140,225	355
Gross profit margin		**30%**	18%	67
Net profit margin	1	**17%**	6%	183
Earning per share				
— Basic		**RMB0.41**	RMB0.09	356
— Diluted		**RMB0.41**	RMB0.09	356

	Notes	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)	
Total assets		**15,302,444**	14,499,900	6
Net assets		**7,994,254**	7,489,789	7
Liquidity and Gearing				
Current ratio	2	**2.11**	1.52	
Quick ratio	3	**1.69**	1.22	
Gearing ratio	4	**0.48**	0.48	

Notes:

1. Net profit margin is calculated as profit for the period 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.

Deloitte.
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TO THE BOARD OF DIRECTORS OF
ASIA CEMENT (CHINA) HOLDINGS CORPORATION
亞洲水泥(中國)控股有限公司
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 6 to 22, which comprises the condensed consolidated statement of financial position of Asia Cement (China) Holdings Corporation (the "Company") and its subsidiaries as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 August 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 RMB'000 (unaudited)	 2010 RMB'000 (unaudited)
Revenue		**3,829,295**	2,274,458
Cost of sales		**(2,698,785)**	(1,854,281)
Gross profit		**1,130,510**	420,177
Other income	4	**58,686**	37,284
Other gains	5	**41,487**	6,244
Distribution and selling expenses		**(150,484)**	(118,413)
Administrative expenses		**(136,616)**	(102,384)
Share of losses of jointly controlled entities		**(226)**	(764)
Share of profit of an associate		**500**	–
Finance costs	6	**(103,282)**	(73,425)
Profit before tax		**840,575**	168,719
Income tax expense	7	**(175,978)**	(27,011)
Profit for the period	8	**664,597**	141,708
Other comprehensive income:			
Fair value gain on hedging instruments designated in cash flow hedges		**1,061**	–
Total comprehensive income for the period		**665,658**	141,708
Profit for the period attributable to:			
Owners of the Company		**638,538**	140,225
Non-controlling interests		**26,059**	1,483
		664,597	141,708
Total comprehensive income for the period attributable to:			
Owners of the Company		**639,599**	140,225
Non-controlling interests		**26,059**	1,483
		665,658	141,708
		RMB	RMB
Earnings per share:	10		
Basic		**0.41**	0.09
Diluted		**0.41**	0.09

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	**30 June 2011 RMB'000 (unaudited)**	31 December 2010 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	11	**9,780,205**	10,021,327
Quarry	12	**213,369**	215,511
Prepaid lease payments	13	**539,069**	548,729
Goodwill		**138,759**	138,759
Other intangible assets		**19,707**	20,421
Interests in jointly controlled entities	14	**24,144**	45,755
Interests in an associate		**12,253**	11,753
Deferred tax assets	15	**20,402**	14,877
Long term receivables	16	**77,481**	79,007
Derivative asset	17	**1,061**	–
		10,826,450	11,096,139
Current assets			
Inventories	18	**893,588**	679,669
Long term receivables — due within one year	16	**7,965**	15,083
Trade and other receivables	19	**2,435,189**	1,983,489
Prepaid lease payments	13	**17,071**	14,491
Amount due from an associate	20	**3,905**	980
Derivative assets	17	**–**	4,181
Restricted bank deposits	21	**40,426**	19,769
Time deposits	22	**100,000**	–
Bank balances and cash		**977,850**	686,099
		4,475,994	3,403,761
Current liabilities			
Trade and other payables	23	**852,109**	886,555
Amounts due to non-controlling interests		**21,692**	37,000
Amounts due to jointly controlled entities	24	**643**	5,940
Tax payables		**54,126**	57,437
Bank borrowings — due within one year	25	**1,189,644**	1,244,228
Derivative liabilities	17	**–**	4,783
		2,118,214	2,235,943
Net current assets		**2,357,780**	1,167,818
Total assets less current liabilities		**13,184,230**	12,263,957
Non-current liabilities			
Other payables	23	**12,000**	15,000
Bank borrowings — due after one year	25	**5,153,046**	4,722,710
Derivative liabilities	17	**–**	13,937
Deferred tax liabilities	26	**24,930**	22,521
		5,189,976	4,774,168
Net assets		**7,994,254**	7,489,789
Capital and reserves			
Share capital	27	**139,549**	139,549
Reserves		**7,639,550**	7,154,384
Equity attributable to owners of the Company		**7,779,099**	7,293,933
Non-controlling interests		**215,155**	195,856
Total equity		**7,994,254**	7,489,789

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Special reserve RMB'000	Share option reserve RMB'000	Hedging reserve RMB'000 (Note)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2010 (audited)	139,549	3,376,570	275,228	286,038	1,673,893	15,944	–	1,166,936	6,934,158	132,933	7,067,091
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	140,225	140,225	1,483	141,708
Appropriation	–	–	148,777	–	–	–	–	(148,777)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	2,776	–	–	2,776	–	2,776
Dividends recognised as distribution	–	–	–	–	–	–	–	(155,625)	(155,625)	–	(155,625)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(1,717)	(1,717)
At 30 June 2010 (unaudited)	139,549	3,376,570	424,005	286,038	1,673,893	18,720	–	1,002,759	6,921,534	132,699	7,054,233
At 1 January 2011 (audited)	139,549	3,376,570	425,596	286,038	1,673,893	20,471	–	1,371,816	7,293,933	195,856	7,489,789
Profit for the period	–	–	–	–	–	–	–	638,538	638,538	26,059	664,597
Other comprehensive income for the period	–	–	–	–	–	–	1,061	–	1,061	–	1,061
Total comprehensive income for the period	–	–	–	–	–	–	1,061	638,538	639,599	26,059	665,658
Appropriation	–	–	132,419	–	–	–	–	(132,419)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	1,192	–	–	1,192	–	1,192
Dividends recognised as distribution (note 9)	–	–	–	–	–	–	–	(155,625)	(155,625)	–	(155,625)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(6,760)	(6,760)
At 30 June 2011 (unaudited)	139,549	3,376,570	558,015	286,038	1,673,893	21,663	1,061	1,722,310	7,779,099	215,155	7,994,254

Note: The aggregate notional principal amount of the outstanding United States dollar ("US$") interest rate swap as at 30 June 2011 of US$50,000,000 was entered into to hedge against cash flow interest rate risk in relation to a bank loan. Details of the derivative financial instrument have been disclosed in note 17.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	**494,304**	308,258
Investing activities:		
Proceeds on disposal of a jointly controlled entity	**23,916**	–
Interest received	**9,392**	6,833
Repayments of long term receivables due from local governments and a port lessor in PRC	**9,115**	1,561
Withdrawal of restricted bank deposits	**5,016**	28,898
Proceeds on disposal of property, plant and equipment	**2,926**	3,921
Dividends received from a jointly controlled entity	**500**	–
Deposit paid for acquisition of a subsidiary	**–**	(90,980)
Placement of time deposits	**(100,000)**	(20,000)
Deposits paid for land use rights	**–**	(3,646)
Advances to local governments and a port lessor in PRC	**–**	(880)
Purchases of property, plant and equipment	**(247,098)**	(1,040,219)
Placement of restricted bank deposits	**(25,673)**	(73,202)
Purchases of quarry	**(4,026)**	(2,620)
Capital contribution to a jointly controlled entity	**(3,000)**	–
Purchases of intangible assets	**(1,754)**	–
Purchases of land use rights	**(421)**	(11,076)
Net cash used in investing activities	**(331,107)**	(1,201,410)
Financing activities:		
Repayments of borrowings	**(652,657)**	(1,026,383)
Dividends paid	**(155,625)**	(155,625)
Interest paid	**(84,813)**	(114,374)
Dividends paid to non-controlling interests	**(6,760)**	(1,717)
Bank borrowings raised	**1,028,409**	1,598,766
Net cash from financing activities	**128,554**	300,667
Net increase (decrease) in cash and cash equivalents	**291,751**	(592,485)
Cash and cash equivalents at beginning of the period	**686,099**	1,331,266
Cash and cash equivalents at end of the period, represented by bank balances and cash	**977,850**	738,781

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

1. Basis of Preparation

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

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010. In addition, during the six months ended 30 June 2011, the Group has designated a derivative as a hedging instrument of interest rate exposure on US$ denominated floating rate bank borrowings (cash flow hedge). The accounting policy is stated below.

Hedge accounting

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as other gains or losses.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2011

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretations ("new or revised IFRSs").

The application of these new or revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new or revised IFRSs that have been issued but are not yet effective.

IFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets[1]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
IAS 19 (as revised in 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 July 2012

The directors of the Company anticipate that the application of the above new or revised IFRSs will have no material impact on the results and the financial position of the Group.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2011

3. Segment Information

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

Six months ended 30 June 2011 (unaudited)

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
REVENUE					
External sales	**3,539,511**	**289,784**	**3,829,295**	**–**	**3,829,295**
Inter-segment sales	**68,103**	**14,959**	**83,062**	**(83,062)**	**–**
Total	**3,607,614**	**304,743**	**3,912,357**	**(83,062)**	**3,829,295**
RESULT					
Segment result	**986,363**	**17,715**	**1,004,078**	**(25,867)**	**978,211**
Unallocated income					**15,752**
Central administration costs, directors' salaries and other unallocated expense					**(50,380)**
Share of losses of jointly controlled entities					**(226)**
Share of profit of an associate					**500**
Finance costs					**(103,282)**
Profit before tax					**840,575**

Six months ended 30 June 2010 (unaudited)

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
REVENUE					
External sales	2,029,972	244,486	2,274,458	–	2,274,458
Inter-segment sales	48,500	17,372	65,872	(65,872)	–
Total	2,078,472	261,858	2,340,330	(65,872)	2,274,458
RESULT					
Segment result	237,623	13,833	251,456	(7,427)	244,029
Unallocated income					13,767
Central administration costs, directors' salaries and other unallocated expense					(14,888)
Share of losses of jointly controlled entities					(764)
Finance costs					(73,425)
Profit before tax					168,719

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2011

3. Segment Information (continued)

Segment result represents the profit earned (loss incurred) by each segment without allocation of central administration costs, directors' salaries, share of results of jointly controlled entities and associate, investment income and financial costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

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

4. Other Income

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grant (Note a)	**31,924**	13,808
Transportation fee income	**5,100**	4,815
Sales of scrap materials	**8,685**	4,819
Interest income on bank deposits	**9,392**	6,833
Imputed interest income on long term receivables	**471**	667
Rental income, net of outgoings (Note b)	**250**	1,160
Others	**2,864**	5,182
	58,686	37,284

Notes:

a. During the six months ended 30 June 2011, more incentive subsidies were granted by the relevant PRC authority to certain of the Company's PRC subsidiaries for being one of the top ten taxpayers and having achieved growth of revenue to certain standards. There were no other specific conditions attached to the grants and, therefore, the Group recognised the grants upon receipt.

b. The direct operating expenses incurred for generating rental income amounted to approximately RMB117,000 and RMB177,000 for the six months ended 30 June 2011 and 2010, respectively.

5. Other Gains

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Allowance for) reversal of doubtful debts, net (Note)	**(29,689)**	275
Donations	**(131)**	(324)
Exchange gain, net	**73,267**	6,294
Change in fair value of derivative financial instruments, net (Note 17)	**(1,991)**	(1)
Gain on disposal of a jointly controlled entity	**31**	–
	41,487	6,244

Note: During the six months ended 30 June 2011, additional allowance for doubtful debts of approximately RMB30 million has been made on trade receivables, by reference to past default experience and objective evidence of impairment such as an analysis of the particular customers and their financial condition and the ages of the receivables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2011

6. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on bank borrowings:		
— Wholly repayable within five years	**103,014**	89,672
— Not wholly repayable within five years	**1,152**	22,763
Total borrowing costs	**104,166**	112,435
Less: Interest capitalised	**(884)**	(39,010)
	103,282	73,425

Borrowing costs capitalised during the six months ended 30 June 2011 and 2010 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.35% and 4.91%, respectively per annum to expenditure on qualifying assets.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
— PRC Enterprise Income Tax ("EIT")	**179,094**	23,866
Withholding tax paid	**–**	7,908
Underprovision in prior years	**–**	349
Deferred tax credit	**(3,116)**	(5,112)
	175,978	27,011

For the six months ended 30 June 2011 and 2010, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 7.5% to 25% and 7.5% to 25%, respectively.

No provision for Hong Kong Profits Tax and Singapore income tax has been made in the condensed consolidated statement of comprehensive income as the Group had no assessable profit arising in these jurisdictions for the six months ended 30 June 2011 and 2010.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2011

8. Profit for the Period

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Depreciation and amortisation	**364,816**	272,544

9. Dividends

A final dividend of RMB10 cents per share for the year ended 31 December 2010, amounting to RMB155,625,000, was paid during the six months ended 30 June 2011.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2011 and 2010.

10. Earnings Per Share

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**638,538**	140,225
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,556,250**	1,556,250
Effect of dilutive employee share options	**1,405**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,557,655**	1,556,250

The share options have no dilution effect on the earnings per share for the six months ended 30 June 2010 as the average market price of the Company's share was lower than the exercise price of the options.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2011

11. PROPERTY, PLANT AND EQUIPMENT

	Carrying value RMB'000
At 1 January 2010 (audited)	8,844,152
Additions	1,065,892
Depreciation for the period	(263,683)
Disposals	(4,536)
At 30 June 2010 (unaudited)	9,641,825
At 1 January 2011 (audited)	10,021,327
Additions	115,099
Depreciation for the period	(348,679)
Disposals	(7,542)
At 30 June 2011 (unaudited)	9,780,205

12. QUARRY

	Carrying value RMB'000
At 1 January 2010 (audited)	140,661
Additions	30,908
Amortisation during the period	(2,793)
At 30 June 2010 (unaudited)	168,776
At 1 January 2011 (audited)	215,511
Additions	4,026
Amortisation during the period	(6,168)
At 30 June 2011 (unaudited)	213,369

13. PREPAID LEASE PAYMENT

	Carrying value RMB'000
At 1 January 2010 (audited)	402,389
Transfer from deposits paid for land use rights	88,193
Additions	11,076
Amortisation during the period	(6,068)
At 30 June 2010 (unaudited)	495,590
At 1 January 2011 (audited)	563,220
Additions	421
Amortisation during the period	(7,501)
At 30 June 2011 (unaudited)	556,140

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2011

14. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Investments in jointly controlled entities, at cost	**17,750**	37,426
Share of post-acquisition profits and other comprehensive income, net of dividends received	**6,394**	8,329
	24,144	45,755

In April 2011, the Group disposed of its entire 49% equity interest in 成都亞鑫礦渣微粉有限公司 Chengdu Ya Xin Slag Micro Powder Co. Ltd. ("Chengdu Ya Xin") to a venturer, at a consideration of RMB23,916,000, net of stamp duty and EIT of RMB84,000. The carrying amount of Chengdu Ya Xin was RMB23,885,000 at the date of disposal. Chengdu Ya Xin is engaged in the manufacture and sale of slag powder. The transaction resulted in a gain on disposal of approximately RMB31,000.

15. DEFERRED TAX ASSETS

The major deferred tax assets recognised during the six months ended 30 June 2011 mainly arose from the tax effects on impairment of trade and other receivables.

16. LONG TERM RECEIVABLES

During the six months ended 30 June 2011, the Group received settlements of approximately RMB1 million, RMB2 million, RMB4.97 million and RMB1.15 million from Ruichang City Government, Wuhan City Government, Pengzhou City Government and Yangzhou No. 2 Power Plant, respectively.

During the six months ended 30 June 2010, the Group advanced approximately RMB0.88 million to Wuhan City Government and received settlements of approximately RMB0.22 million and RMB1.36 million from Ruichang City Government and Pengzhou City Government, respectively.

17. DERIVATIVE FINANCIAL INSTRUMENTS

Six months ended 30 June 2011

At 30 June 2011, the Group had an outstanding US$ interest rate swap contract designated as a highly effective hedging instrument in order to hedge the Group's cash flow interest rate exposure on US$ denominated floating rate bank borrowings (Note 25).

The terms of the US$ interest rate swap contract has been negotiated to match the terms of the US$ denominated floating rate bank borrowings.

Major terms of the US$ interest rate swap are as follows:

Notional amount	Maturity	Swaps
US$50,000,000	20.10.2015	From London Interbank Offering Rate ("LIBOR") to 1.75% per annum

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2011

17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Six months ended 30 June 2011 (CONTINUED)

As at 30 June 2011, fair value gain of RMB1,061,000 has been recognised in other comprehensive income and accumulated in equity. It will be reclassified to profit or loss in the periods in which payments of interest on the US$ denominated floating rate bank borrowings are recognised.

The fair value of the US$ interest rate swap is measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The Group's outstanding cross currency interest rate swap contracts to hedge the Group's foreign currency exposure on US$ denominated bank borrowings as at 31 December 2010 have been either matured or settled during the six months ended 30 June 2011.

Six months ended 30 June 2010

At 30 June 2010, the Group had an outstanding cross currency interest rate swap contract to hedge the Group's foreign currency exposure on US$ denominated floating rate bank borrowings.

Major terms of the cross currency interest rate swap are as follows:

Notional amount	Swap rate	Maturity	Swaps
US$50,000,000	RMB/US$6.8262	18.3.2012	From LIBOR + 1.0% to 0% per annum

The fair value of cross currency interest rate swap is measured at the present value of future cash flows estimated using quoted exchange rate and discounted based on the applicable yield curves derived from quoted interest rates.

18. INVENTORIES

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Spare parts and ancillary materials	**334,953**	273,293
Raw materials	**358,209**	304,568
Work-in-progress	**106,733**	49,274
Finished goods	**93,693**	52,534
	893,588	679,669

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2011

19. TRADE AND OTHER RECEIVABLES

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Trade receivables	878,507	699,781
Less: accumulated allowance	(78,294)	(48,735)
	800,213	651,046
Bills receivable	1,364,993	999,734
	2,165,206	1,650,780
Other receivables	272,315	335,041
Less: accumulated allowance	(2,332)	(2,332)
	2,435,189	1,983,489

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 and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
0 – 90 days	1,296,927	1,229,161
91 – 180 days	744,107	297,044
181 – 365 days	103,691	101,979
Over 365 days	20,481	22,596
	2,165,206	1,650,780

20. AMOUNT DUE FROM AN ASSOCIATE

The amount as at 30 June 2011 was trade in nature, unsecured, non-interest bearing and with a credit term of 30 days. The age of the amounts was less than 90 days.

21. RESTRICTED BANK DEPOSITS

The amounts as at 30 June 2011 represent deposits pledged to secure short-term banking facilities granted to the Group and therefore classified as current assets. The pledged bank deposits will be released upon release of the banking facilities granted by the banks.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2011

22. TIME DEPOSITS

The amounts as at 30 June 2011 represented an interest rate linked deposit of RMB50 million and currency linked deposits of RMB50 million. All the deposits mature in 1 month.

The interest rate linked deposit is linked to 3-month LIBOR. The deposit bears a minimum interest rate of 1.49% per annum and an interest rate of 5.5% per annum if the 3-month LIBOR is equal to or lower than 6.5% per annum.

The currency linked deposit is linked to exchange rate of US$ against Hong Kong dollar ("HK$"). The deposits bear a minimum interest rate of 1.3% per annum and interest rates of 5.4% to 5.5% per annum if the exchange rate of US$ against HK$ is below 8.0.

23. TRADE AND OTHER PAYABLES

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Trade payables	**336,178**	237,292
Bills payables	**5,553**	6,256
	341,731	243,548
Other payables and accruals (Note)	**522,378**	658,007
	864,109	901,555
Analysed for reporting purposes as:		
Non-current liabilities	**12,000**	15,000
Current liabilities	**852,109**	886,555
	864,109	901,555

Note: The balance mainly represented construction cost payable of RMB121,600,000 and RMB254,483,000 as at 30 June 2011 and 31 December 2010, respectively.

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

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
0 – 90 days	**322,538**	232,875
91 – 180 days	**13,192**	2,660
181 – 365 days	**3,166**	4,874
Over 365 days	**2,835**	3,139
	341,731	243,548

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

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2011

24. Amounts Due to Jointly Controlled Entities

The amounts as at 30 June 2011 were trade in nature, unsecured, non-interest bearing and with a credit term of 30 days. The age of the amounts was less than 90 days.

25. Bank Borrowings

During the six months ended 30 June 2011, the Group obtained new bank loans of approximately RMB1,028 million and repaid bank loans of approximately RMB653 million in accordance with the repayment terms. The new loans raised are denominated in Renminbi and United States dollar, unsecured and carry interest at floating market rates ranging from 0.78% to 5.45% per annum. The proceeds were used as general working capital for the Group and for the construction of new production lines.

At 30 June 2011, the US$ denominated floating rate bank borrowings being hedged by the Group's US$ interest rate swap contract (Note 17) has a carrying amount of US$50,000,000 with contractual interest rate of 3-month LIBOR and matures in October 2015.

26. Deferred Tax Liabilities

The major deferred tax liabilities recognised during the six months ended 30 June 2011 mainly arose from the tax effects on the undistributed earnings of subsidiaries.

27. Share Capital

Issued share capital as at 30 June 2011 amounted to RMB139,549,000. There were no movements in the issued share capital of the Company for the six months 30 June 2011.

28. Commitments

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment and land use rights contracted for but not provided in the condensed consolidated financial statements	**123,422**	90,673

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2011

29. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Jointly controlled entities:		
Purchase of goods	**544**	5,315
Transportation expenses	**13,041**	9,146
Associate:		
Sale of goods	**5,036**	–

The remuneration of directors was as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	**4,217**	4,042
Equity-settled share-based payments	**399**	1,294
	4,616	5,336

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

Business and Financial Review

During the first half of 2011, the Group rode out the challenging business environment, with significant progress in various operations, a strengthened operational structure and intensified market penetration. Capitalising on increased production capacity and the government's substantial investment in infrastructure projects, the Group maintained a strong growth momentum. During the six months ended 30 June 2011, the Group delivered outstanding results that had significantly exceeded that of the same period of 2010.

During the first half of 2011, the PRC economy was hindered by a number of issues, such as continued inflation, the drought that hit the mid and downstream areas of the Yangtze River and restriction in electricity supply in certain provinces in China leading to interruptions in the operation of enterprises. Nevertheless, the PRC economy, driven by a series of measures implemented by the state government, maintained its rapid growth, thereby sustaining strong demand for cement. The reduction of production volume caused by tight electricity supply in various regions had alleviated the pressure of excess cement supply. As a result, cement prices in the first half of the year exhibited a relatively stable upward trend amidst the traditional low season. Meanwhile, the PRC government continued to expedite the elimination of obsolete cement production capacities, setting its target to eliminate 150 million tonnes in 2011. This is expected to further improve the cement industry's structure. All these favourable factors have brought significant and positive impact on the Group's sales and profitability. During the first half of the year, the Group achieved an aggregate sales of cement of 11 million tonnes, representing a growth of 34% from that in the corresponding period of last year. The Group's earnings had also increased significantly compared to that in the corresponding period of last year.

Revenue

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

	30 June 2011 (unaudited)	30 June 2010 (unaudited)
Region		
Central Yangtze River	**2,196,134**	1,150,017
Sichuan Region	**823,446**	806,645
Yangtze River Delta & Others	**809,715**	317,796
Total	**3,829,295**	2,274,458

In the reporting period, the Group's revenue amounted to RMB3,829.3 million, representing an increase of RMB1,554.8 million or 68% over that of RMB2,274.5 million for the corresponding period of 2010. The increase in revenue was mainly attributable to an overall increase in total production output as a result of increased market demand and the full operation of No. 3 new dry process rotary kiln at Sichuan Yadong Plant, No. 1 new dry process rotary kiln at Huanggang Yadong Plant, No. 4 new dry process rotary kiln at Jiangxi Yadong Plant, No. 2 new dry process rotary kiln at Hubei Yadong Plant and Wuhan Yaxin Cement Co which commenced operation in 2010.

In respect of revenue contribution for the six months ended 30 June 2011, sales of cement products and related products accounted for 92% (2010: 89%) and the sales of ready-mix concrete accounted for 8% (2010: 11%). The table below shows the sales breakdown by product during the reporting period:

	30 June 2011 (unaudited)	30 June 2010 (unaudited)
Cement Products	**3,332,812**	1,981,356
Clinker	**82,147**	9,658
Blast-furnace slag powder	**124,552**	38,958
RMC	**289,784**	244,486
Total	**3,829,295**	2,274,458

Business and Financial Review (continued)

Cost of Sales and Gross Profit

The Group's cost of sales primarily includes cost of raw materials, fuel expenses (consisting of coal and electricity), employee compensation and benefits, depreciation and amortization and other overhead costs. During the period under review, the Group's cost of sales increased by 46% to RMB2,698.8 million from RMB1,854.3 million as compared to the corresponding period in 2010 due to the expansion of overall business of the Group and increase in unit production cost.

The gross profit for the six months ended 30 June 2011 was RMB1,130.5 million (2010: RMB420.2 million), representing a gross profit margin of 30% on revenue (2010:18%). The significant improvement in gross profit was mainly attributable to (i) the increase of production capacity and sales volume after the full operation of No. 3 new dry process rotary kiln at Sichuan Yadong Plant, No. 1 new dry process rotary kiln at Huanggang Yadong Plant, No. 4 new dry process rotary kiln at Jiangxi Yadong Plant, No. 2 new dry process rotary kiln at Hubei Yadong Plant and Wuhan Yaxin Cement Co, Ltd.; and (ii) the significant increase in average selling price of the Company's products compared with that of the corresponding period of the previous year.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income and sales of scrap materials. For the six months ended 30 June 2011, other income amounted to RMB58.7 million, representing a increase of RMB21.4 million or 57% over that of RMB37.3 million for the corresponding period in 2010. 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 during the year under review.

Other Gains

Other gains mainly comprise exchange gains, donations and allowance of doubtful debts. For the period under review, other gains amounted to RMB41.5 million, representing an increase of RMB35.3 million or 569% over that of RMB6.2 million for the corresponding period in 2010. The increase in other gains was principally attributable to the increase in exchange gain from United States denomination bank borrowings.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For the six months ended 30 June 2011, the distribution and selling expenses amounted to RMB150.5 million, representing an increase of RMB32.1 million or 27% over that of RMB 118.4 million for the corresponding period of 2010. The increase in distribution costs was attributable to the increase in sale activities during the period under review.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses increased by 33%, to RMB136.6 million from RMB102.4 million for the corresponding period of 2010. The increase was attributable to the increase in headcount of administrative staff and the expenses incurred by the Group for the purpose of expanding its operation and production capacity.

The 41% increase in finance costs was mainly due to the increase in bank borrowings for financing the Group's expansion plan.

Profit for the Period

In the reporting period, the net profit of the Group amounted to RMB664.6 million, representing an increase of RMB522.9 million or 369% over that of RMB141.7 million for the corresponding period of 2010, while the net profit margin also increased from 6% to 17%. The substantial increase of net profit was mainly attributable to the increase in production output and increase in average selling price of cement products.

Business and Financial Review (continued)

Financial Resources and Liquidity

The Group maintained a strong financial and liquidity position for the six months ended 30 June 2011. The total assets increased by 6% to approximately RMB15,302.4 million (31 December 2010: approximately RMB14,500.0 million) while the total equity grew by 7% to approximately RMB7,994.3 million (31 December 2010: approximately RMB7,489.8 million).

As at 30 June 2011, the Group had cash and cash equivalents amounted to approximately RMB977.9 million (31 December 2010: approximately RMB686.1 million). After deducting the total interest-bearing bank borrowings of RMB6,342.7 million (31 December 2010: approximately RMB5,966.9 million), the Group had a net borrowing of approximately RMB5,364.8 million (31 December 2010: approximately RMB5,280.8 million).

As at 30 June 2011, the Group's gearing ratio was approximately 48% (31 December 2010: 48%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2011 and 31 December 2010 respectively.

Bank borrowings

The maturity profiles of the Group's bank borrowings outstanding as at 30 June 2011 and 31 December 2010 are summarized as below:

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Within one year	**1,189,644**	1,244,228
In the second year	**2,469,386**	1,555,566
In the third to fifth year	**2,643,660**	2,692,144
After five years	**40,000**	475,000
	6,342,690	5,966,938

Capital Expenditure and Capital Commitments

Capital expenditure for the six months ended 30 June 2011 amounted to approximately RMB121.3 million (31 December 2010: approximately RMB2,061.8 million) and capital commitments as at 30 June 2011 amounted to approximately RMB123.4 million (31 December 2010: approximately RMB90.7 million). Both the capital expenditure and capital commitments were mainly related to the purchase of plant and equipment for the new production lines. The Group anticipates funding those commitments from future operating revenue, bank borrowings and other sources of finance when appropriate.

Pledge of Assets

The Group did not have any pledge or charge on assets as of 30 June 2011 other than restricted bank deposits of approximately RMB40.4 million (31 December 2010: approximately RMB19.8 million).

Contingent Liabilities

As of the date of this report and as at 30 June 2011, the Board is not aware of any material contingent liabilities.

Business and Financial Review (continued)

Human Resources

As at 30 June 2011, the Group had 3,962 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Pre-IPO Share Option Scheme and Share Option Scheme, where eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company for their past and potential contribution to the growth of the Group. As at 30 June 2011, about 11,578,000 share options were granted under the Pre-IPO Share Option Scheme and no share options have been exercised yet. Also, as at 30 June 2011, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposals of Subsidiaries and Affiliated Companies

The Group did not make any material acquisition or disposals of subsidiaries or affiliated companies during the six months ended 30 June 2011.

Foreign Exchange Risk Management

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

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. At 30 June 2011, the Group had an outstanding US$ interest rate swap contract of US$50,000,000 to hedge the Group's cash flow interest rate exposure on certain US$ denominated floating rate bank borrowings.

Prospects

Looking ahead, despite the unfavourable factors such as the tight monetary policy implemented by the People's Bank of China, the rising costs of raw material, fuel and labour, and shortage in electricity supply, the outlook for the cement market remains promising. As the PRC government continues to promote the construction of energy-saving and environmental-friendly facilities and development of low-carbon economy, expedite elimination of obsolete production capacities and encourage corporate merger and acquisition and consolidation, the balance in demand and supply in the cement market will continue to improve. In addition, the PRC government has proceeded with the construction of large-scale hydraulic engineering works and affordable housing to enhance the livelihood of the general public. Such measures will steadily lift the demand for cement. In order to capture these market opportunities, the Group has formulated development strategies of expansion through construction of new production lines and acquisitions, as well as further vertical integration. The Group will speed up the construction of Jiangxi Yadong No. 5 and No. 6 new dry process rotary kilns, while proactively seeking targets for merger and acquisition or investment. The construction of the Jiangxi Yadong No. 5 and No. 6 new dry process rotary kilns is expected to be completed and put into production in 2014, and each of which will have a daily production capacity of 6,000 tonnes of clinker. To achieve further vertical integration, the Group will establish pre-mixed plants to provide services directly to various infrastructure projects.

Adhering to its corporate culture of sincerity, diligence, thrift, prudence and innovation, the Group will continue to move forward. To ensure sustainable profit growth, the Group will continue to optimise its management structure, broaden the source of raw materials and fuel, reduce cost, and increase penetration of each major market. Capitalising on its current leading market position and proven achievement in taking advantage of PRC government's industrial policies, the Group is looking forward to a promising future.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were 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 (b) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying 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	100,000	1,500,000	1,600,000	0.10
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 options 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.

Disclosure of Interests (continued)

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

Long positions in shares and underlying shares of associated corporation

		Type of interest				
Name of Director	Name of associated corporation	Personal	Through spouse	Corporate	Total No. of ordinary shares in the associated corporation	% of shareholding in the associated corporation
Mr. Chang, Tsai-hsiung	Asia Cement Corporation ("Asia Cement")	420,250	55,697	—	475,947	0.02%
	Oriental Industrial Holdings Pte., Ltd ("Oriental Industrial")	2,000	—	—	2,000	0.0004%
Madam Chiang Shao, Ruey-huey	Asia Cement	70,092	2,237	—	72,329	0.002%
	Oriental Industrial	1,000	—	—	1,000	0.0002%
Mr. Hsu, Shu-tong	Asia Cement	21,296,793	7,432,758	—	28,729,551	0.93%
	Asia Cement (Singapore) Private Limited ("Asia Cement Singapore")	2	—	—	2	0.00002%
	Oriental Industrial	4,000	—	—	4,000	0.0007%
Mr. Chang, Chen-kuen	Asia Cement	285,868	4,542	—	290,410	0.009%
Mr. Lin, Seng-chang	Asia Cement	6,773	—	—	6,773	0.0002%

Saved as disclosed above, as at 30 June 2011, none of the Directors and chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares 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' and Other Persons' Interest in Shares and Underlying Shares

As at 30 June 2011 and to the best knowledge of the Directors and chief executives of the Company, persons (other than Directors or chief executives of the Company) who had an interest or short position, in the shares and underlying shares of the Company, as recorded in the register required to be 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 % of issued share capital of the Company
Asia Cement (note 1)	Beneficial owner and interest by attribution	1,136,074,000	73.00%

Notes:

1. Asia Cement beneficially owns approximately 68.19% interest of the Company. Asia Cement Singapore holds approximately 4.10% interest in the Company, which is approximately 99.96% owned by Asia Cement. Asia Cement is deemed to be interested in approximately 4.10% interest of the Company by virtue of its corporate interest in Asia Cement Singapore. Further, Falcon Investments Private Limited holds approximately 0.71% interest in the Company and is owned as to 100% by U-Ming Marine Transport (Singapore) Private Limited, which is in turn owned as to 99.99% by U-Ming Marine Transport Corporation. U-Ming Marine Transport Corporation is owned as to 38.66% by Asia Cement. Asia Cement is deemed to be interested in approximately 0.71% interest of the Company under the SFO.

Save as disclosed above, as at 30 June 2011, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) also had interests or short positions on the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEMES

(A) PRE-IPO SHARE OPTION SCHEME

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

At 30 June 2011, 11,578,000 options were granted under the Pre-IPO Share Option Scheme, and no such share options have yet been exercised. 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%

SHARE OPTION SCHEMES (CONTINUED)

(A) PRE-IPO SHARE OPTION SCHEME (CONTINUED)

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

Details of the share options outstanding as at 30 June 2011 which have been granted under the Pre-IPO Share Option Scheme are as follows:

Name	Date of Grant	Options outstanding at 1 January 2011	Granted during the period	Options exercised during the period	Option lapsed on expiry	Options cancelled upon termination of employment	Option outstanding at 30 June 2011
Directors							
Mr. Chang, Tsai-hsiung	17 April 2008	1,500,000	—	—	—	—	1,500,000
Madam Chiang Shao, Ruey-huey	17 April 2008	400,000	—	—	—	—	400,000
Mr. Hsu, Shu-tong	17 April 2008	3,000,000	—	—	—	—	3,000,000
Mr. Chang, Chen-kuen	17 April 2008	400,000	—	—	—	—	400,000
Mr. Lin, Seng-chang	17 April 2008	400,000	—	—	—	—	400,000
Mr. Wu Chung-lih	17 April 2008	400,000	—	—	—	—	400,000
Other employees	17 April 2008	5,478,000	—	—	—	—	5,478,000
		11,578,000	—	—	—	—	11,578,000

(B) SHARE OPTION SCHEME

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

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

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

Unless approved by shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including 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 as at the date of grant.

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.

Share Option Schemes (continued)

(b) Share Option Scheme (continued)

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 highest of (i) the closing price of the shares as stated in the daily quotation sheet issued by the 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 Stock Exchange for the five 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 have been granted under the Share Option Scheme as at 30 June 2011, or as at the date of this Interim Report.

Corporate Governance

During the six months ended 30 June 2011, the Company has compiled with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

Audit Committee

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

Remuneration Committee

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

Independence Committee

The Company has established the Independence Committee. The primary duties of the Independence Committee include the review of transactions between the Group, Asia Cement and Far Eastern Group and assess any potential conflict of interest between them. Save as disclosed in the section headed "Relationship with Asia Cement" and "Connected Transactions" in the Prospectus, no additional ongoing relationships or potential conflict of interests was identified in the period under review.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2011.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Appreciation

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

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

Hong Kong, 17 August 2011