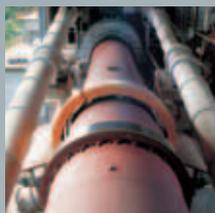




# Asia Cement (China) Holdings Corporation 亞洲水泥(中國)控股公司

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



## 2012 Interim Report



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# Corporate Information

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## 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

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

### Members of Nomination 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



# Corporate Information

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## **Hong Kong Legal Adviser**

O' Melveny & Myers  
31/F, AIA Central  
1 Connaught Road 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](http://www.achc.com.cn)

## **Contact Details**

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

# Financial Highlights

	Notes	Six months ended 30 June		% Change Increase/ (Decrease)
		2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	
Revenue		<b>3,071,532</b>	3,829,295	(20)
Gross profit		<b>484,776</b>	1,130,510	(57)
Profit for the period		<b>123,443</b>	664,597	(81)
Profit attributable to owners of the Company		<b>121,834</b>	638,538	(81)
Gross profit margin		<b>16%</b>	30%	(47)
Net profit margin	1	<b>4%</b>	17%	(76)
Earning per share				
— Basic		<b>RMB0.08</b>	RMB0.41	(80)
— Diluted		<b>RMB0.08</b>	RMB0.41	(80)

		30 June	31 December	
		2012 RMB'000 (unaudited)	2011 RMB'000 (audited)	
Total assets		<b>15,673,158</b>	16,122,366	(3)
Net assets		<b>8,588,991</b>	8,723,633	(2)
<b>Liquidity and Gearing</b>				
Current ratio	2	<b>1.49</b>	2.58	
Quick ratio	3	<b>1.26</b>	2.23	
Gearing ratio	4	<b>0.45</b>	0.46	

## 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.



# Condensed Consolidated Financial Statements

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue		<b>3,071,532</b>	3,829,295
Cost of sales		<b>(2,586,756)</b>	(2,698,785)
Gross profit		<b>484,776</b>	1,130,510
Other income	4	<b>90,629</b>	58,686
Other gains and losses	5	<b>(15,671)</b>	41,487
Distribution and selling expenses		<b>(159,497)</b>	(150,484)
Administrative expenses		<b>(145,744)</b>	(136,616)
Share of profit (loss) of jointly controlled entities		<b>2,039</b>	(226)
Share of profit of an associate		<b>1,181</b>	500
Finance costs		<b>(103,013)</b>	(103,282)
Profit before tax		<b>154,700</b>	840,575
Income tax expense	6	<b>(31,257)</b>	(175,978)
Profit for the period	7	<b>123,443</b>	664,597
Other comprehensive income:			
Fair value (loss) gain on hedging instruments designated in cash flow hedges		<b>(3,148)</b>	1,061
Total comprehensive income for the period		<b>120,295</b>	665,658
Profit for the period attributable to:			
Owners of the Company		<b>121,834</b>	638,538
Non-controlling interests		<b>1,609</b>	26,059
		<b>123,443</b>	664,597
Total comprehensive income for the period attributable to:			
Owners of the Company		<b>118,686</b>	639,599
Non-controlling interests		<b>1,609</b>	26,059
		<b>120,295</b>	665,658
Earnings per share:		<b>RMB</b>	RMB
Basic	9	<b>0.08</b>	0.41
Diluted		<b>0.08</b>	0.41

# Condensed Consolidated Financial Statements

## Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Notes	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	9,381,030	9,557,197
Quarry	11	214,203	219,475
Prepaid lease payments	12	528,836	536,954
Goodwill		138,759	138,759
Other intangible assets		15,661	17,839
Interests in jointly controlled entities		27,382	25,344
Interests in an associate		14,786	13,605
Deferred tax assets		31,429	21,200
Long term receivables		61,085	59,383
Restricted bank deposits		25,840	19,217
		<b>10,439,011</b>	10,608,973
<b>Current assets</b>			
Inventories	14	826,867	741,106
Long term receivables — due within one year		16,942	14,942
Trade and other receivables	15	2,548,650	2,986,842
Prepaid lease payments	12	15,074	14,552
Amount due from an associate		4,821	6,892
Restricted/pledged bank deposits		22,188	18,192
Bank balances and cash		1,799,605	1,730,867
		<b>5,234,147</b>	5,513,393
<b>Current liabilities</b>			
Trade and other payables	16	715,879	720,211
Amounts due to non-controlling interests		3,621	10,955
Amounts due to jointly controlled entities		2,541	3,899
Tax payables		11,699	68,030
Borrowings — due within one year	17	2,770,787	1,335,726
		<b>3,504,527</b>	2,138,821
<b>Net current assets</b>		<b>1,729,620</b>	3,374,572
<b>Total assets less current liabilities</b>		<b>12,168,631</b>	13,983,545
<b>Non-current liabilities</b>			
Other payables	16	—	12,000
Borrowings — due after one year	17	3,552,361	5,216,061
Derivative liabilities	13	10,920	7,772
Deferred tax liabilities		16,359	24,079
		<b>3,579,640</b>	5,259,912
<b>Net assets</b>		<b>8,588,991</b>	8,723,633
<b>Capital and reserves</b>			
Share capital	18	139,549	139,549
Reserves		8,187,980	8,333,486
Equity attributable to owners of the Company		<b>8,327,529</b>	8,473,035
Non-controlling interests		261,462	250,598
<b>Total equity</b>		<b>8,588,991</b>	8,723,633



# Condensed Consolidated Financial Statements

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the Company										Total RMB'000
	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	Retained profits RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	
	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	
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	-	-	-	-	-	-	-	(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
At 1 January 2012 (audited)	139,549	3,376,570	557,621	286,038	1,673,893	22,134	(7,772)	2,425,002	8,473,035	250,598	8,723,633
Profit for the period	-	-	-	-	-	-	-	121,834	121,834	1,609	123,443
Other comprehensive expense for the period	-	-	-	-	-	-	(3,148)	-	(3,148)	-	(3,148)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(3,148)	121,834	118,686	1,609	120,295
Appropriation	-	-	312,843	-	-	-	-	(312,843)	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	372	-	-	372	-	372
Dividends recognised as distribution	-	-	-	-	-	-	-	(264,564)	(264,564)	(8,745)	(273,309)
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	18,000	18,000
At 30 June 2012 (unaudited)	139,549	3,376,570	870,464	286,038	1,673,893	22,506	(10,920)	1,969,429	8,327,529	261,462	8,588,991

# Condensed Consolidated Financial Statements

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	853,726	494,304
Net cash used in investing activities	(205,370)	(331,107)
Net cash used in financing activities	(579,618)	128,554
Net increase in cash and cash equivalents	68,738	291,751
Cash and cash equivalents at beginning of the period	1,730,867	686,099
Cash and cash equivalents at end of the period, represented by bank balances and cash	1,799,605	977,850



# Condensed Consolidated Financial Statements

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

### 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 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

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.

Amendments to IFRS 1	Government Loans <sup>1</sup>
Amendments to IFRS 7 Disclosures	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures <sup>2</sup>
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>1</sup>
IFRS 9	Financial Instruments <sup>2</sup>
IFRS 10	Consolidated Financial Statements <sup>1</sup>
IFRS 11	Joint Arrangements <sup>1</sup>
IFRS 12	Disclosure of Interests in Other Entities <sup>1</sup>
IFRS 13	Fair Value Measurement <sup>1</sup>
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income <sup>3</sup>
IAS 19 (Revised 2011)	Employee Benefits <sup>1</sup>
IAS 27 (Revised 2011)	Separate Financial Statements <sup>1</sup>
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures <sup>1</sup>
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities <sup>4</sup>
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine <sup>1</sup>

1 Effective for annual periods beginning on or after 1 January 2013

2 Effective for annual periods beginning on or after 1 January 2015

3 Effective for annual periods beginning on or after 1 July 2012

4 Effective for annual periods beginning on or after 1 January 2014

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.

# Condensed Consolidated Financial Statements

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

### 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 2012 (unaudited)

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
<b>REVENUE</b>					
External sales	2,751,698	319,834	3,071,532	-	3,071,532
Inter-segment sales	46,628	12,419	59,047	(59,047)	-
<b>Total</b>	<b>2,798,326</b>	<b>332,253</b>	<b>3,130,579</b>	<b>(59,047)</b>	<b>3,071,532</b>
<b>RESULT</b>					
Segment result	297,519	(395)	297,124	(14,895)	282,229
Unallocated income					5,085
Central administration costs, directors' salaries and other unallocated expense					(32,821)
Share of profit of jointly controlled entities					2,039
Share of profit of an associate					1,181
Finance costs					(103,013)
<b>Profit before tax</b>					<b>154,700</b>

#### Six months ended 30 June 2011 (unaudited)

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
<b>REVENUE</b>					
External sales	3,539,511	289,784	3,829,295	-	3,829,295
Inter-segment sales	68,103	14,959	83,062	(83,062)	-
<b>Total</b>	<b>3,607,614</b>	<b>304,743</b>	<b>3,912,357</b>	<b>(83,062)</b>	<b>3,829,295</b>
<b>RESULT</b>					
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)
<b>Profit before tax</b>					<b>840,575</b>



# Condensed Consolidated Financial Statements

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

### 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	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grant	53,087	31,924
Transportation fee income	3,051	5,100
Sales of scrap materials	2,831	8,685
Interest income on bank deposits	26,382	9,392
Imputed interest income on long term receivables	132	471
Rental income, net of outgoings	550	250
Others	4,596	2,864
	<b>90,629</b>	58,686

### 5. Other Gains and Losses

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Reversal (allowance for) of doubtful debts, net	979	(29,689)
Donations	-	(131)
Exchange gain, net	(16,650)	73,267
Change in fair value of derivative financial instruments, net	-	(1,991)
Gain on disposal of a jointly controlled entity	-	31
	<b>(15,671)</b>	41,487

# Condensed Consolidated Financial Statements

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

### 6. Income Tax Expense

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
— PRC Enterprise Income Tax ("EIT")	<b>47,199</b>	179,094
Withholding tax paid	<b>4,895</b>	—
Underprovision in prior years	<b>(322)</b>	—
Deferred tax credit	<b>(20,515)</b>	(3,116)
	<b>31,257</b>	175,978

For the six months ended 30 June 2012 and 2011, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 12.5% to 25% and 12.5% 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 2012 and 2011.



# Condensed Consolidated Financial Statements

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

### 7. Profit for the Period

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Depreciation and amortisation	<b>372,343</b>	364,816

### 8. Dividends

A final dividend of RMB17 cents per share for the year ended 31 December 2011, amounting to RMB264,562,500, was paid during the six months ended 30 June 2012.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2012 and 2011.

### 9. Earnings Per Share

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<b>121,834</b>	638,538
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,556,250</b>	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	<b>1,556,250</b>	1,557,655

The share options have no dilution effect on the earnings per share for the six months ended 30 June 2012 as the average market price of the Company's share was lower than the exercise price of the options.

# Condensed Consolidated Financial Statements

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

### 10. Property, Plant and Equipment

	Carrying value RMB'000
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
At 1 January 2012 (audited)	9,557,197
Additions	179,877
Depreciation for the period	(355,368)
Disposals	(676)
At 30 June 2012 (unaudited)	9,381,030

### 11. Quarry

	Carrying value RMB'000
At 1 January 2011 (audited)	215,511
Additions	4,026
Amortisation during the period	(6,168)
At 30 June 2011 (unaudited)	213,369
At 1 January 2012 (audited)	219,475
Additions	1,604
Amortisation during the period	(6,876)
At 30 June 2012 (unaudited)	214,203

### 12. Prepaid Lease Payment

	Carrying value RMB'000
At 1 January 2011 (audited)	563,220
Additions	421
Amortisation during the period	(7,501)
At 30 June 2011 (unaudited)	556,140
At 1 January 2012 (audited)	551,506
Transfer from deposits paid for land use rights	–
Additions	–
Amortisation during the period	(7,596)
At 30 June 2012 (unaudited)	543,910



# Condensed Consolidated Financial Statements

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

### 13. Derivative Financial Instruments

#### Six months ended 30 June 2012 and 2011

At 30 June 2012, 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.

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

As at 30 June 2012, fair value loss of RMB3,148,000 (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.

### 14. Inventories

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Spare parts and ancillary materials	314,178	306,698
Raw materials	345,179	307,740
Work in progress	90,419	72,884
Finished goods	77,091	53,784
	<b>826,867</b>	741,106

# Condensed Consolidated Financial Statements

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

### 15. Trade and Other Receivables

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Trade receivables	<b>995,886</b>	978,086
Less: accumulated allowance	<b>(73,463)</b>	(74,145)
	<b>922,423</b>	903,941
Bills receivable	<b>1,375,802</b>	1,839,726
	<b>2,298,225</b>	2,743,667
Other receivables	<b>252,757</b>	245,507
Less: accumulated allowance	<b>(2,332)</b>	(2,332)
	<b>2,548,650</b>	2,986,842

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 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
0 – 90 days	<b>1,489,676</b>	1,837,089
91 – 180 days	<b>630,209</b>	756,127
181 – 365 days	<b>177,240</b>	131,683
Over 365 days	<b>1,100</b>	18,768
	<b>2,298,225</b>	2,743,667



# Condensed Consolidated Financial Statements

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

### 16. Trade and Other Payables

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Trade payables	<b>301,921</b>	301,468
Other payables and accruals	<b>413,958</b>	430,743
	<b>715,879</b>	732,211
Analysed for reporting purposes as:		
Non-current liabilities	–	12,000
Current liabilities	<b>715,879</b>	720,211
	<b>715,879</b>	732,211

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

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
0 – 90 days	<b>243,399</b>	274,938
91 – 180 days	<b>24,704</b>	18,597
181 – 365 days	<b>20,108</b>	6,476
Over 365 days	<b>13,710</b>	1,457
	<b>301,921</b>	301,468

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

# Condensed Consolidated Financial Statements

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

### 17. Borrowings

During the six months ended 30 June 2012, the Group obtained new bank loans of approximately RMB422 million and repaid bank loans of approximately RMB651 million in accordance with the repayment terms. The new loans raised are denominated in United States dollar, unsecured and carry interest at floating market rates ranging from 1.35% to 3.48% per annum. The proceeds were used as general working capital for the Group and for the construction of new production lines.

At 30 June 2012, the US\$ denominated floating rate bank borrowings being hedged by the Group's US\$ interest rate swap contract (Note 13) has a carrying amount of US\$50,000,000 with contractual interest rate of 3-month LIBOR and matures in October 2015.

### 18. Share Capital

Issued share capital as at 30 June 2012 amounted to RMB139,549,000. There were no movements in the issued share capital of the Company for the six months 30 June 2012.

### 19. Commitments

	30 June 2012 RMB'000 (unaudited)	31 December 2011 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	158,726	47,318

### 20. Related Party Transactions

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Jointly controlled entities:		
Purchase of goods	-	544
Transportation expenses	35,781	13,041
Associate:		
Sale of goods	8,287	5,036



# Condensed Consolidated Financial Statements

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

### 20. Related Party Transactions (continued)

The remuneration of directors was as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	<b>3,523</b>	4,217
Equity-settled share-based payments	–	399
	<b>3,523</b>	4,616

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

# Management Discussion and Analysis

## Business and Financial Review

During the first half year of 2012, China's economy had inevitably been impacted by the lingering European sovereign debt crisis and the sluggish global economy. As a result, China witnessed a slowdown in its GDP growth and significant downturn in the overall economy. Demand in the cement market was lower due to the decrease in fixed assets investment, slowdown in the progress of infrastructure construction due to the credit crunch and continued depression in the real estate industry under the implementation of austerity measures in China. In 2012, the cement industry has been faced with overcapacity, with the full operation of 205 million tonnes of clinker capacity constructed in 2011 and the addition of 150 million tonnes of new clinker capacity in 2012. Competition in the cement market had been intensified, with selling prices falling below reasonable levels. The industry was under unusually harsh market conditions. To overcome the ever-changing macro business environment, the Group has taken a proactive approach and adopted the following measures: first, carried out technical modification and energy-saving and emission reduction measures, resulting in improved production volume and quality; second, continued to improve internal control and lower costs to enhance competitiveness in all respects; third, explored new sales methods and markets, increased market dominance and maintained 100% production-to-sales ratio; lastly, responded to the China Cement Association's call for energy-saving and emission-reduction, and even voluntarily suspended the operation of kilns when necessary to avoid unhealthy competition. With close communication and unremitting efforts, the Group has strived to minimize the effect of unfavourable factors. As such, the Group outperformed the industry as a whole in terms of its operating results in the first half year of 2012.

## Revenue

The table below shows the sales breakdown by regions during the reporting period:

	30 June 2012 (unaudited)	30 June 2011 (unaudited)
<b>Region</b>		
Central Yangtze River	<b>1,827,544</b>	2,196,134
Sichuan Region	<b>654,284</b>	823,446
Yangtze River Delta & Others	<b>589,704</b>	809,715
Total	<b>3,071,532</b>	3,829,295

In the reporting period, the Group's revenue amounted to RMB3,071.5 million, representing a decrease of RMB757.8 million or 20% over that of RMB3,829.3 million for the corresponding period of 2011. The decrease in revenue was mainly attributable to the slowdown of China's economy and China's fixed asset investment since the second half of 2011. Therefore, the market selling prices of cement products in China in general continued to drop during 2012. The selling prices and revenue of the Group's cement products had been inevitably impacted.

In respect of revenue contribution for the six months ended 30 June 2012, sales of cement products and related products accounted for 92% (2011: 92%) and the sales of ready-mix concrete accounted for 8% (2011: 8%). The table below shows the sales breakdown by product during the reporting period:

	30 June 2012 (unaudited)	30 June 2011 (unaudited)
Cement Products	<b>2,540,436</b>	3,332,812
Clinker	<b>174,101</b>	82,147
Blast-furnace slag powder	<b>96,312</b>	124,552
RMC	<b>260,683</b>	289,784
Total	<b>3,071,532</b>	3,829,295



# Management Discussion and Analysis

## 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 decreased by 4% to RMB2,586.8 million from RMB2,698.8 million in the corresponding period of 2011 due to the decrease in the cost of raw materials.

The gross profit for the six months ended 30 June 2012 was RMB484.8 million (2011: RMB1,130.5 million), representing a gross profit margin of 16% on revenue (2011: 30%). The adjustment in gross profit was mainly attributable to the significant decrease in average selling prices 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 2012, other income amounted to RMB90.6 million, representing an increase of RMB31.9 million or 54% from RMB58.7 million for the corresponding period in 2011. The increase in other income was attributable to (i) the increase in government grants; and (ii) the increase in interest income on bank deposits during the period under review.

### Other Gains and Losses

Other gains and losses mainly comprise exchange losses and allowance of doubtful debts. For the period under review, other gains and losses amounted to the losses of RMB15.7 million, representing a decrease of RMB57.2 million from the gains of RMB41.5 million for the corresponding period in 2011. The decrease in other gains and losses was principally attributable to the increase in exchange loss from US dollar denominated bank borrowings.

### Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For the six months ended 30 June 2012, the distribution and selling expenses amounted to RMB159.5 million, representing an increase of RMB9.0 million or 6% from RMB150.5 million for the corresponding period of 2011. The increase in distribution and selling expenses was attributable to the increase in repair and maintenance costs during the period under review.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses increased by 7%, to RMB145.7 million from RMB136.6 million for the corresponding period of 2011. The increase was attributable to the adjustment in the salary level of employees and increase in the bonus and benefits of employees.

The finance costs remained stable during the period under review.

### Profit for the Period

In the reporting period, the net profit of the Group amounted to RMB123.4 million, representing a decrease of RMB541.2 million or 81% from RMB664.6 million for the corresponding period of 2011, while the net profit margin also decreased from 17% to 4%. The substantial decrease in net profit was mainly attributable to a decrease in the average selling prices of cement products.

# Management Discussion and Analysis

## Business and Financial Review (continued)

### Financial Resources and Liquidity

The Group maintained a healthy financial and liquidity position for the six months ended 30 June 2012. The total assets decreased by 3% to approximately RMB15,673.2 million (31 December 2011: approximately RMB16,122.4 million) while the total equity decreased by 2% to approximately RMB8,589.0 million (31 December 2011: approximately RMB8,723.6 million).

As at 30 June 2012, the Group's cash and cash equivalents amounted to approximately RMB1,799.6 million (31 December 2011: approximately RMB1,730.9 million). After deducting the total interest-bearing bank borrowings of RMB6,323.1 million (31 December 2011: approximately RMB6,551.8 million), the Group had a net borrowing of approximately RMB4,523.5 million (31 December 2011: approximately RMB4,820.9 million).

As at 30 June 2012, the Group's gearing ratio was approximately 45% (31 December 2011: 46%). The calculation of the gearing ratio was based on total liabilities and total assets as at 30 June 2012 and 31 December 2011, respectively.

### Borrowings

The maturity profiles of the Group's borrowings outstanding as at 30 June 2012 and 31 December 2011 are summarized as below:

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Within one year	2,770,787	1,335,726
In the second year	1,000,199	2,355,614
In the third to fifth year	2,552,162	2,860,447
	<b>6,323,148</b>	6,551,787

### Capital Expenditure and Capital Commitments

Capital expenditure for the six months ended 30 June 2012 amounted to approximately RMB184.1 million (31 December 2011: approximately RMB285.0 million) and capital commitments as at 30 June 2012 amounted to approximately RMB158.7 million (31 December 2011: approximately RMB47.3 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 future operating revenue, bank borrowings and other sources of finance when appropriate.

### Pledge of Assets

The Group did not have any pledges or charges on assets as at 30 June 2012 other than restricted bank deposits of approximately RMB48.0 million (31 December 2011: RMB37.4 million).

### Contingent Liabilities

As at the date of this report and as at 30 June 2012, the Board was not aware of any material contingent liabilities.



# Management Discussion and Analysis

## Business and Financial Review (continued)

### Human Resources

As at 30 June 2012, the Group had 4,127 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 ordinary shares in the Company in accordance with their past and potential contribution to the growth of the Group. As at 30 June 2012, 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 2012, 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 2012.

### 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, the management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. At 30 June 2012, 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, the cement market is expected to see a gradual recovery in the second half of 2012. Control over output growth and improvement in inventory levels are the key targets of the PRC government set for the cement industry. The Ministry of Industry and Information Technology will eliminate 270 million tonnes of obsolete production capacities, which is the largest amount of capacity to be eliminated in a single year, to help ease the pressure of overcapacity. The PRC government's encouragement of merger, acquisition and reorganization will facilitate industry consolidation and improve the balance of demand and supply. Meanwhile, to maintain steady yet rapid growth of the economy, the PRC government has reintroduced measures to stimulate growth in investment, showing its disposition to accelerating the construction progress of various infrastructure projects and ensuring the availability of investment capital. In view of the above, railway, highway and hydraulic projects, as well as affordable housing and rural urbanization will provide strong support to the growth of cement demand. In addition, cooperation among industry players and voluntary suspension of kiln operations to save energy and reduce emission will create more positive market sentiment, which will lift the output and price of cement in the second half of 2012 when compared to that of the first half of 2012.

Adhering to its beliefs, the Group will adopt a pragmatic approach in its development. While being in line with PRC government policies, the Group will capitalize on the momentous opportunity arising from economic restructuring to expand and strengthen its business. The Group is currently speeding up the construction of Jiangxi Yadong No. 5 and No. 6 new dry process rotary kilns (each has a daily clinker production capacity of 6,000 tonnes and is expected to be completed and to commence production in 2013). The Group is also actively negotiating for targets for merger and acquisition or for strategic alliance. It strives to realize, as soon as possible, a production volume target of 40 million tonnes and a production capacity target of 50 million tonnes. In addition, the Group will actively extend its business along the supply chain by further developing its ready-mixed concrete business, in order to increase the added value of cement products. All in all, by leveraging its current leading market position and proven track record in aligning its business development strategies with government industry policies, the Group expects a promising outlook for its upcoming second half of the year results.

## Other Information

### Disclosure of Interests

#### Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2012, 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

Name of Director	Number of ordinary shares			% of the Company's issued shares
	Personal interests	Equity derivatives (Note 1)	Total interests	
Mr. Chang, Tsai-hsiung	120,000	1,500,000	1,620,000	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:

- 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.



## Other Information

### 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

Name of Director	Name of associated corporation	Type of interest			Total No. of ordinary shares in the associated corporation	% of shareholding in the associated corporation
		Personal	Through spouse	Corporate		
Mr. Chang, Tsai-hsiung	Asia Cement Corporation ("Asia Cement")	428,655	56,810	—	485,465	0.01%
	Oriental Industrial Holdings Pte., Ltd ("Oriental Industrial")	2,000	—	—	2,000	0.0004%
Madam Chiang Shao, Ruey-huey	Asia Cement	71,493	2,281	—	73,774	0.002%
	Oriental Industrial	1,000	—	—	1,000	0.0002%
Mr. Hsu, Shu-tong	Asia Cement	21,722,728	7,581,413	—	29,304,141	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	11,085	4,632	—	15,717	0.005%
Mr. Lin, Seng-chang	Asia Cement	6,908	445	—	7,353	0.0002%

Saved as disclosed above, as at 30 June 2012, 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.

## Other Information

### Substantial Shareholders' and Other Persons' Interest in Shares and Underlying Shares

As at 30 June 2012 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:

- 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 2012, 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.



## Other Information

### 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 2012, 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%

## Other Information

### Share Option Schemes (continued)

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

- (iii) Eligible persons who are neither employees nor directors of the Group may exercise the share options after 6 months the share options are granted to them.

Details of the share options outstanding as at 30 June 2012 which have been granted under the Pre-IPO Share Option Scheme are as follows:

Name	Date of Grant	Options outstanding at 1 January 2012	Granted during the period	Options exercised during the period	Option lapsed on expiry	Options cancelled upon termination of employment	Option outstanding at 30 June 2012
<b>Directors</b>							
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 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 for 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 the 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.



## Other Information

### 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 2012, or as at the date of this Interim Report.

### Corporate Governance

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2012, except the following:

Code provision A.1.8 of the CG Code requires that the Company should arrange appropriate insurance cover in respect of legal action against its directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual litigation against the Directors is low. Nevertheless, the Board will review this arrangement from time to time in light of the prevailing circumstances and arrange for appropriate insurance coverage as soon as practicable.

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Liu, Zhen-tao, Mr. Lei, Qian-zhi, Mr. Tsim, Tak-lung Dominic and Dr. Wong Ying-ho Kennedy, the independent non-executive Directors were unable to attend the annual general meeting of the Company held on 25 May 2012 as they were out of town for other businesses.

### Audit Committee

The Company established the Audit Committee on 27 April 2008 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include the review of financial reporting processes and internal control system of the Group. Currently, the Audit Committee comprises Mr. Tsim, Tak-lung Dominic (Chairman), Mr. Hsu, Shu-tong and Dr. Wong Ying-ho Kennedy, all of whom are non-executive Directors and the majority of whom are independent non-executive Directors. The Audit Committee of the Company has reviewed the results of the Company for the six months ended 30 June 2012.

### Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report 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 Dr. Wong Ying-ho Kennedy (Chairman), Mr. Tsim, Tak-lung Dominic and Mr. Hsu, Shu-tong, all of whom are non-executive Directors and the majority of whom are independent non-executive Directors.

### Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board. Currently, the Nomination 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.

# Other Information

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## **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 2012.

## **Purchase, Sale or Redemption of Listed Securities**

During the six months ended 30 June 2012, 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, 16 August 2012