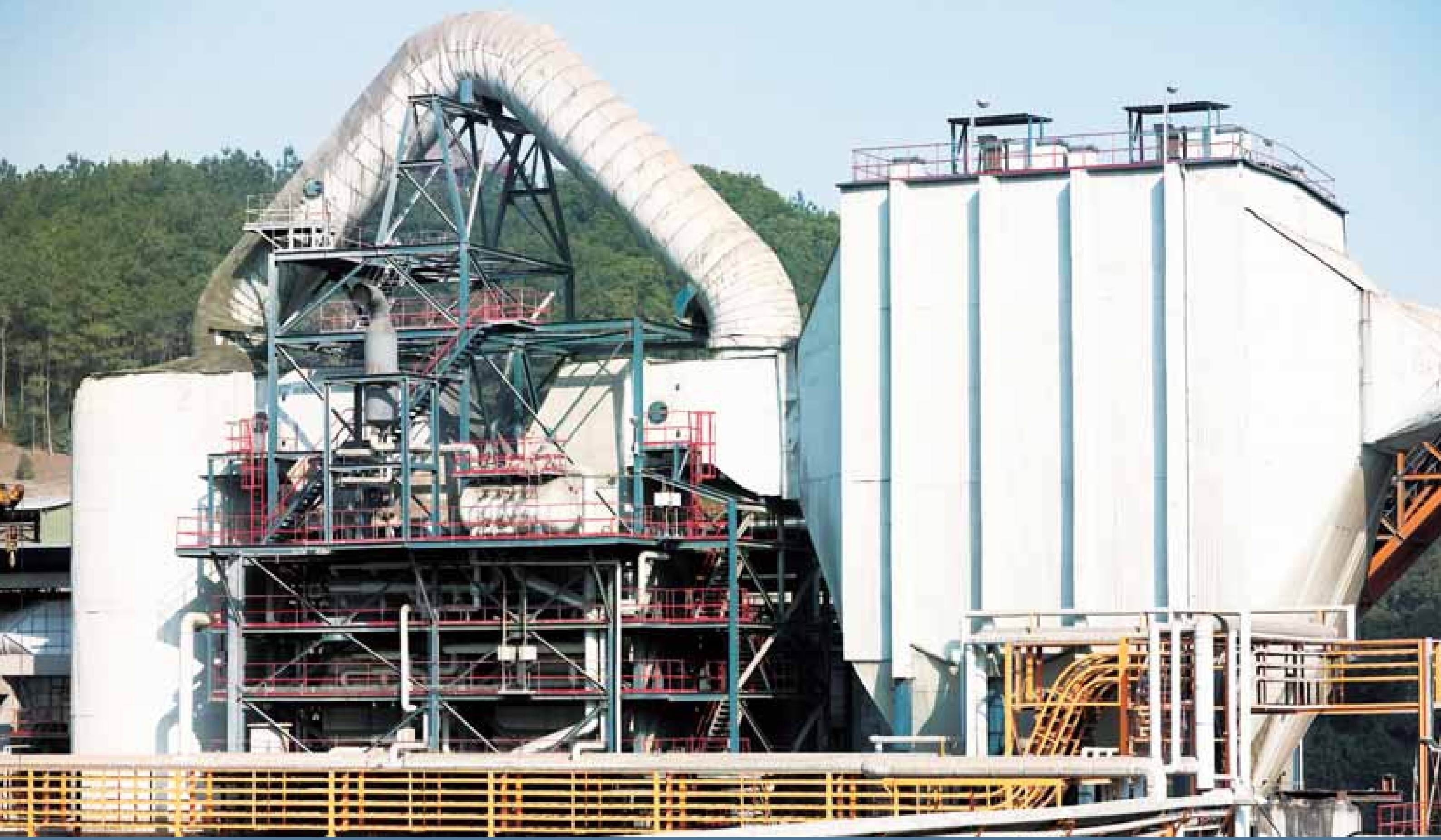
Asia Cement (China) Holdings Corporation
亞洲水泥(中國)控股公司

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

ANNUAL REPORT 2010



Asia Cement
(China) Holdings Corporation
AR 2010

Content

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

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

HONG KONG LEGAL ADVISER

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

CONTACT DETAILS

Phone: (852) 2839 3705
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Financial Highlights

	Notes	**2010 RMB'000**	2009 RMB'000	% Change Increase/ (Decrease)
Revenue		**5,707,320**	4,207,408	36
Gross profit		**1,201,745**	1,213,137	(1)
Profit for the year		**527,730**	615,286	(14)
Profit attributable to owners of the Company		**510,873**	609,966	(16)
Gross profit margin		**21%**	29%	(28)
Net profit margin	*1*	**9%**	15%	(40)
Earning per share				
— Basic		**RMB0.33**	RMB0.39	(15)
— Diluted		**RMB0.33**	RMB0.39	(15)
Total assets		**14,499,900**	12,659,536	15
Net assets		**7,489,789**	7,067,091	6
Liquidity and Gearing				
Current ratio	*2*	**1.52**	1.84	
Quick ratio	*3*	**1.22**	1.55	
Gearing ratio	*4*	**0.48**	0.44	

Notes:

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

Chairman's Statement

To our shareholders,

On behalf of the Board of Directors ("the Board") of Asia Cement (China) Holdings Corporation (hereinafter referred to as the "Company"), together with its subsidiaries (collectively "Asia Cement (China)" or the "Group"), I am pleased to present to our shareholders the annual report of the Group for the year ended 31 December 2010.

Hsu Shu Tong *Chairman*

Chairman's Statement

In 2010, there were signs indicating that the global economy had emerged from crisis and was gradually recovering. The PRC economy, driven by a series of macroeconomic control policies implemented by the government, had gradually overcome the negative impacts of the global financial crisis and resumed its steady, rapid growth, with 10.3% GDP growth rate for 2010. The cement industry continued to benefit from the government's RMB4 trillion stimulus package, which drove cement demand via substantial investment in infrastructure projects. Moreover, the State's initiatives to develop affordable housing and measures to accelerate the phasing out of obsolete capacity led to increase in cement demand, which had remained at a high level.

However, with the continued inauguration of clinker production lines, the production capacity of the cement industry further increased. The total cement production volume is expected to reach 1.85 billion tonnes, representing approximately 12% increase year on year. The situation of excessive capacity was further aggravated with the constant promulgation of government policies to regulate the property industry. Although demand for cement remained strong, some markets had already showed signs of oversupply. During the first three quarters of 2010, in the southeast, central, east and southwest regions, being the markets where the Group's four production bases are located, irrational competition led to depressed product price, especially in Sichuan where the price of cement plunged sharply within a short period of time. The average selling price of cement of the Group for the first three quarters decreased by 10% when compared to that of 2009, which squeezed the Group's overall profit. However, since September 2010, power cuts had been implemented, starting from coastal provinces, in order to achieve the goal of energy saving and emission reduction. Some cement enterprises were therefore forced to suspend production. Moreover, owing to the arrival of the traditional peak season of construction works, there was a supply-and-demand imbalance, and a number of regions showed signs of supply shortage, causing sharp rise in cement price in various regions. As a result of such favourable factors, the Group's cement price rose sharply and reached its record high. The average price soared by 34% when compared with that of the same period of last year, thereby effectively offsetting the adverse effects of the first three quarters. The Group achieved a turnaround and saw its overall profitability rise.

In 2011, the PRC officially enters its Twelfth Five-year Plan period. The healthy development of the PRC industries will be affected by adverse factors such as tighter control over resources, increased pressure on production cost due to the rising prices of various types of raw material, and excessive production capacity. As such, a change in approach, an adjustment of structure and an imperative to upgrade will definitely become the main trend for industrial development in the future. Facing the new development trend, the cement industry has to pick a new path of industrialization, which involves controlling total output, optimizing regional deployment and adjusting product mix. With respect to production process, the industry should focus on ecology and environmental protection, emphasizing development of recycling economy, and promoting merger and reorganization of enterprises, so as to gradually realize intensive management and rational allocation of resources. This will be the only road leading to healthy growth for the cement industry.

The Group, as a major and large-scale cement supplier in the central and downstream region of Yangtze River and the southwest region of the PRC, is committed to product quality and has been dedicated to environmental protection and rational resources utilization during production. All the Group's self-built production lines are equipped with the world's most advanced dry process rotary kiln, which ensure product quality as well as effectively reduce resource and energy consumption. The waste heat power generators installed on the production lines can reduce electricity purchase by approximately 30%. Besides striving to effectively control costs and enhancing competitive edge, we have also established a good corporate citizen image. In response to the State's policy on energy saving and emission reduction, the Group has adopted advanced dust-collecting equipment to minimize pollution in the production process. Simultaneously, the Group has applied cutting-edge waste heat power generation equipment to reduce carbon dioxide emissions, and has maximized the utilization of industrial waste as raw material, so as to promote recycling economy and achieve energy saving and waste reduction. The Group will also consider the adoption of pre-heater with 6th grade to lower heat and coal consumption so that the Group's production process can maintain at a world-class, advanced level.

Restriction on construction of new capacities, phasing out of obsolete capacities, energy saving and emission reduction, and encouragement of merger and acquisition will be the main agenda and new policy of the Twelfth Five-year Plan for the cement industry. Supported by the national policies on the industry, the highly scattered cement industry of the PRC will face the era of reorganization and consolidation. While the Group focuses on the construction of new production lines, it will also leverage the market development trend to capture new opportunities. The Group will extend its market dominance in various regions through acquiring equity interests of quality cement enterprises, and will maintain communications with other players in the industry. By initiating different approaches, including negotiations in relation to strategic cooperation, the Group will actively seek appropriate targets for mergers, acquisitions and cooperation, so as to rapidly enhance production capacity and to unswervingly pursue its goal to become a large and leading enterprise in the industry.

APPRECIATION

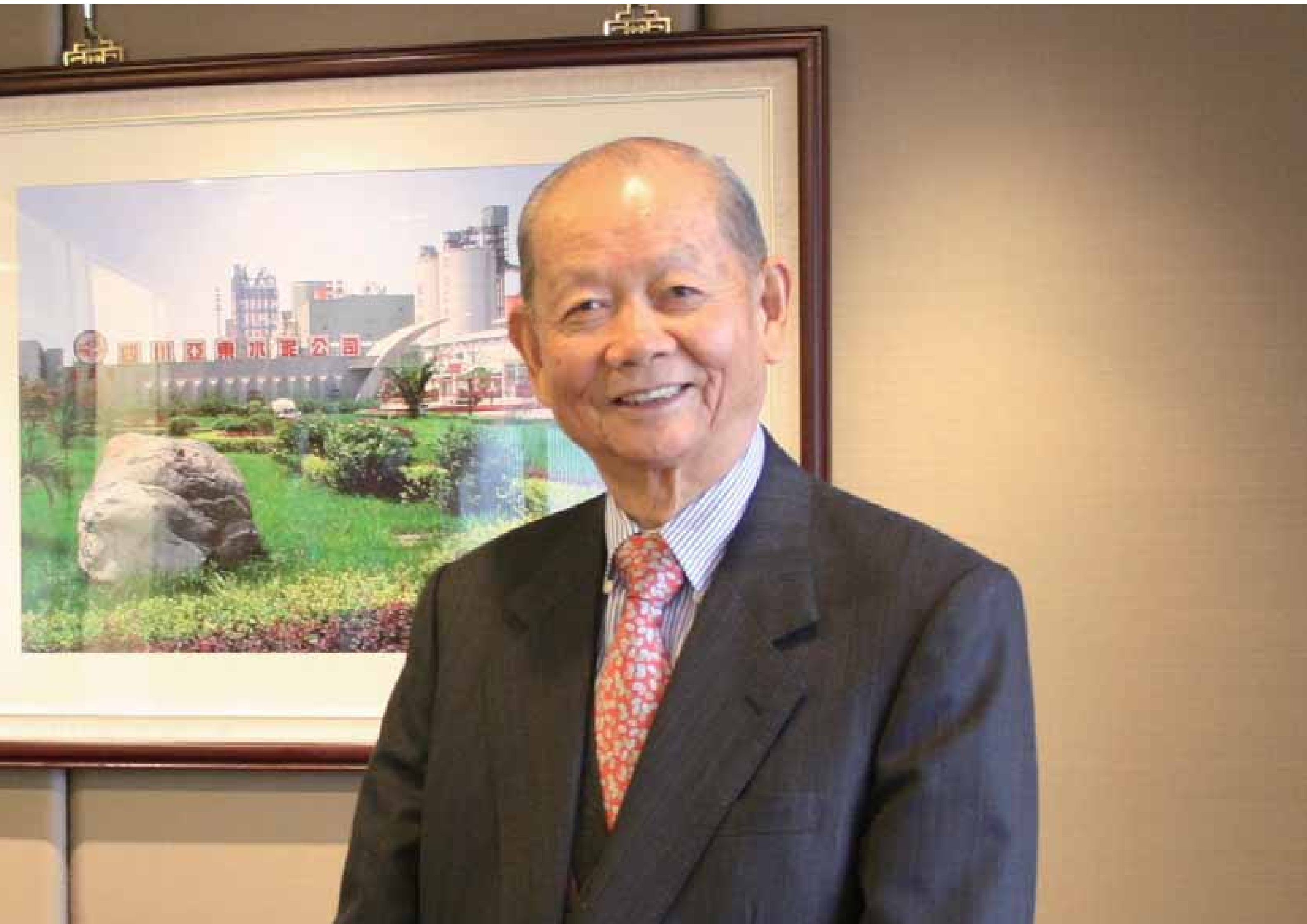
In 2010, under the leadership of its core management, the Group strived to reduce operating costs through its advanced corporate system and delicate management. Despite the challenges brought by the ups and downs of the market, the Group still managed to achieve satisfactory results. The Board of Directors would like to take this opportunity to express its sincere gratitude to the Group's management and all the staff members for their hard work throughout the year, and also to its shareholders, business partners, bankers and auditors for their great support and trust. Driven by the continuous and rapid growth of the PRC economy, we anticipate a promising prospect for the future development of the cement industry. The Group will continue to expand by seizing the opportunities arising from industrial development, so as to maximize returns for our shareholders.

Hsu Shu Tong
Chairman

Hong Kong
18 March 2011

CEO's Review

With four new production lines commencing operation in 2010, the Group's overall production capacity rose by almost 70 per cent, while revenue for 2010 increased by 36% as compared with that of 2009. However, cement price in the Group's key markets remained depressed and major production costs rose significantly during the first three quarters, leading to an adjustment of 14% in net profit as compared with that of 2009.



Chang Tsai Hsiung *Chief Executive Officer*

CEO's Review

During 2010, the Group's new production lines were successively completed, among which No. 3 new dry process rotary kiln at Sichuan Yadong Plant was completed in March, No. 1 new dry process rotary kiln at Huanggang Yadong Plant and No. 4 new dry process rotary kiln at Jiangxi Yadong Plant were inaugurated in May, while No. 2 new dry process rotary kiln at Hubei Yadong Plant was completed in October. As a result, the Group's annual clinker production capacity surged by 67% from that of 2009 to 13,860,000 tonnes (actual production capacity can reach 16,500,000 tonnes). Coupled with the inauguration of No. 3 & No. 4 cement mills at Jiangxi Yadong Plant and No. 3 & No. 4 cement mills at Hubei Yadong Plant, the annual cement output increased by 43% from that of 2009. In addition, the relevant authorities had approved the project of No. 5 & No. 6 clinker production lines at Jiangxi Yadong Plant with daily production capacity of 6,000 tonnes each and construction of No. 5 production line had commenced. It is expected that the annual clinker production capacity will increase by 4,000,000 million tonnes upon the completion of these two production lines.

The Group had not only made great efforts in building its own production lines, it had also leveraged the cement industry trend on consolidation to engage in merger and acquisition activities. In July, the Group acquired a 70% equity interest in Wuhan Xinlingyun Cement Company Limited and renamed it as Wuhan Yaxin Cement Company Limited, leading to an increase of 1,500,000 tonnes in annual cement production capacity. In addition, the Group and its parent company, Asia Cement Corporation, signed a Memorandum of Understanding with China Shanshui Cement Group Limited in November, pursuant to which the two parties proposed to enter into strategic cooperation arrangement to jointly carry out business in various regions like Liaoning and Inner Mongolia. Should any formal cooperation agreement be concluded upon completion of the relevant due diligence investigation, it would provide the Group with enormous opportunities for market expansion and enable the Group to lay the foundation for new strategic development in the future.

During the year, in addition to expediting the construction of new production lines, enhancing the total production capacity, carrying out merger and acquisition through various channels and methods and forging strategic cooperation with large enterprises, the Group had also conducted in-depth review of its internal management, strengthened production and operation management, as well as enhanced corporate governance level. In respect of production efficiency, the Group had achieved high turnover rate, higher-than-expected production rate and full utilization of slag, fly-ash and desulphurization gypsum to lower unit production cost. In the future, the Group will consider using pre-heater with 6th grade to reduce heat and coal consumption in order to maintain a world-class, advanced standard. On the front of environmental protection, the Group had adopted state-of-the-art dust-collecting equipment to ensure contamination-free production, used highly efficient, sophisticated production facilities featuring low energy consumption for energy saving, and used renowned brand waste heat power generator to fully utilise residual heat for minimization of carbon dioxide emissions. Meanwhile, the Group had also made good use of industrial wastes as raw material for recycling, energy saving and waste reduction, and carried out a study into cooperating with local governments for urban sludge disposal in order to minimize pollution. For market deployment, the Group had strengthened its presence in the neighbouring markets to expand market share and secure a dominant position in the region; the Group had also leveraged the water transportation along the Yangtze River to reduce transportation cost and extend product reach. Seizing the opportunity brought by the subsidy programme to boost rural consumption of building materials, the Group has been actively developing the rural markets. In addition, the Group is seeking suitable location along the Yangtze River to set up a transshipment point for expanding sales coverage.

Amid a volatile cement market in 2010, the Group suffered from decreasing average product price and rising cost of coal. The Group's overall operating profit in 2010 declined when compared with that of 2009. With continued promulgation of stringent control of new production capacity and elimination of obsolete capacity and the results of such control, the growth of new capacity will slow down gradually in 2011, while the demand-and-supply relationship will be significantly improved. Taking this together with industry consolidation and self regulation into account, the cement industry will definitely continue the momentum as the fourth quarter of 2010 and sustain a healthy development. Leveraging the increase in production capacity and expansion of market coverage, the Group will further strengthen its dominant position and competitiveness in regional markets, and expects a better performance in 2011.

Management Discussion and Analysis

Management Discussion and Analysis

BUSINESS REVIEW

Since 2010, the global economy has recovered significantly. Under a favourable domestic and overseas economic environment, the PRC economy has built on and continued the rapid growth momentum in the fourth quarter of 2009. Driven by the high growth rate, the national GDP showed a more balanced growth, with domestic demand becoming the main growth driver as opposed to government policies. The PRC economy is heading for the predetermined direction of "shifting to a new driver of economic growth, and adjusting and optimising economic structure." The PRC industries have achieved remarkable development during the Eleventh Five-Year Plan period, and the production volume of major industrial commodities including cement, steel, coal, fertilizers ranked no. 1 in the world. The average annual growth rate of industrial value of the PRC was 11.04% and its added value accounted for 40.14% of GDP.

During the Eleventh Five-Year Plan period, the cement industry in the PRC, under the guidance of the relevant policies and regulations, actively explored new ways of development, persistently pursued industry upgrade and technological improvement, attained a fast growth rate, significantly improved product mix. Simultaneously, the industry saw its economies of scale increase, while achieving remarkable results in energy saving and emission reduction. Looking back in 2010, although the growth rate of national fixed assets investment had dropped, it continued to boost cement demand. Austerity measures to regulate the property sector had not caused a slowdown in the growth of property investment. With the stepping up of rural market development and construction of low rental housing and affordable housing (a total of 5.8 million units completed in 2010), cement demand for the year remained robust. Cement consumption exceeded 1.87 billion tonnes, representing a rise of 15% from 1.63 billion tonnes in 2009.

Capitalizing on its excellent corporate image of high efficiency, high quality and environmentally friendly, the Group has established a high-end brand name in the region. The Group is not only a leading and large-scale cement supplier in the central and downstream regions of the Yangtze River and the southwest region of the PRC. Its sales network spans across Jiangxi, Hubei, Sichuan, Yangzhou, Shanghai, Zhejiang, Fujian and Hunan. Following deeper market penetration, the Group's products have now gained increasing popularity, and its market share in major sales regions has increased substantially. The Group sold a total of 20,500,000 tonnes of cement and related products in 2010, an increase of 42% from 14,400,000 tonnes in 2009. The increase in sales volume was due to the newly built Sichuan Yadong No. 3 new dry process rotary kiln, Huanggang Yadong No. 1 new dry process rotary kiln, Jiangxi Yadong No. 4 new dry process rotary kiln and Hubei Yadong No. 2 new dry process rotary kiln being put into production, in addition to the formal consolidation of the acquired Wuhan Xinlingyun Cement Co., Ltd. ("Wuhan Xinlingyun") in July 2010 (renamed as Wuhan Yaxin Cement Co., Ltd. ("Wuhan Yaxin")). All the above had significantly increased the Group's production capacity.

During the first half of 2010, numerous new production capacities in the markets where the Group had presence were put into production. Competition among industry players seeking to increase market share became intensified, causing the price of cement to remain low. However, the arrival of the traditional peak season of the industry in July, together with the gradual implementation of the PRC government's measures to eliminate obsolete capacities and the implementation of power cuts to high energy consumption enterprises, including cement companies, in coastal provinces to achieve the goal of energy saving and emission reduction under the "Eleventh Five-Year Plan", had resulted in an upsurge in cement price in the central and downstream regions of the Yangtze River. Capitalising on its strategic market deployment, the Group's overall profitability in all of its markets, except for the Sichuan region, exceeded that of 2009.

Sichuan region

2010 saw intensified competition in the cement market in the Sichuan region. Massive new production capacities were put into production, leading to a severe problem of oversupply. Cement price dropped significantly from February to August, which seriously affected the profit of Sichuan Yadong. However, by the fourth quarter, almost all the new production capacities in the market had been inaugurated. This together with the fine weather and the acceleration of construction works led to increase in demand for cement. The cement market had gradually recovered and cement price had rebounded to the level at the beginning of the year. However, competition remained very keen. After Sichuan Yadong No. 3 new dry process rotary kiln was put into production in March 2010, the rated clinker production capacity of Sichuan Yadong increased to 4,158,000 tonnes (actual production capacity can reach 4,950,000 tonnes), and a total of 5,400,000 tonnes of premium cement and related products were sold in the Sichuan region in 2010. In view of the fierce competition in the Sichuan region, Sichuan Yadong actively expanded and solidified market share through various ways. In addition to adopting flexible sales strategies to retain existing customers, the Group also established good strategic cooperative relationship with major batching plants in the Chengdu region. Meanwhile, in view of the large-scale post-earthquake reconstruction works in Abazhou and the large number of newly built power plants there, the Group actively developed this market and set up a business office in Wenchuan, seeking opportunities to develop the cement precast product market and pulverized limestone market, in order to broaden the Group's source of income.

Central and downstream regions of Yangtze River

The Group's major markets in the central and downstream regions of the Yangtze River are Hubei Province, Jiangxi Province and the Yangtze River Delta region. There is a large number of cement enterprises in these markets, resulting in severe overcapacity and keen competition, which have in turn caused cement prices to remain low. Since July 2010, the cement market has continued to improve, benefiting from the power cuts and decrease of production in the provinces of Jiangsu, Zhejiang and Anhui. Cement price increased drastically and reached its record high. In 2010, the Group sold a total of 15,100,000 tonnes of cement and related products in this region, which was a historic high, while profits also increased significantly. After years of development and operation, the Group's products are well received by customers. The Group has been awarded contracts to supply cement for a number of key projects including Shiwu Railway Line, Wuhuang Railway, Wuxiao Railway, Wuyi Expressway, Wuhan Metro, Hangrui Expressway, Jiujiang Yangtze River Bridge, Changbei Airport, Nanchang Metro, Yongwu Expressway, Ningqi Railway and Jiangliu Expressway. The Group's market share in Wuhan, Huanggang, Jiujiang, Nanchang and the Yangtze River Delta region has been increasing. Despite accounting for a relatively low sales percentage, the Yangtze River Delta region, being an economic centre of the PRC, is a mature market with stable demand. This region's development outlook is promising. It is necessary for the Group to accelerate business planning for the Yangtze River Delta region so as to strengthen its control over this market.

OPERATING RESULTS

Revenue

The Group's principal business activities are the manufacture and sale of cement, concrete and related products. The concerted efforts of the management team have continued to bear fruit as evidenced by the increase in sales of the Group. For 2010, the Group's revenue amounted to RMB5,707.3 million, representing an increase of RMB1,499.9 million or 36% over that of RMB4,207.4 million for 2009. 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.4 new dry process rotary kiln at Jiangxi Yadong Plant, No.1 new dry process rotary kiln at Huanggang Yadong Plant and No.2 new dry process rotary kiln at Hubei Yadong Plant which commenced operation during 2010.

Management Discussion and Analysis

Region	2010 RMB'000	2010 %	2009 RMB'000	2009 %
Central Yangtze River	**3,068,363**	**54**	1,923,192	46
Sichuan	**1,659,913**	**29**	1,606,844	38
Yangtze River Delta and Others	**979,044**	**17**	677,372	16
Total	**5,707,320**	**100**	4,207,408	100

In respect of revenue contribution for 2010, sales of cement products accounted for 88% (2009: 87%) and sales of concrete accounted for 9% (2009: 10%). The table below shows the sales breakdown by product during the reporting period:

	2010 RMB'000	2010 %	2009 RMB'000	2009 %
Cement Products	**5,008,494**	**88**	3,642,033	87
Clinker	**75,182**	**1**	63,640	1
RMC	**510,159**	**9**	437,410	10
Blast-furnace slag powder	**113,485**	**2**	64,325	2
Total	**5,707,320**	**100**	4,207,408	100

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

	2010 '000 units	2009 '000 units
Cement Products	**19,499**	13,686
Clinker	**367**	375
RMC	**1,780**	1,555
Blast-furnace slag powder	**633**	376

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

Based on the sales revenue and sales volume as set out above, the average selling price of cement products was RMB257 per tonne in 2010 (2009: RMB266 per tonne).

Cost of Sales and Gross Profit

The Group's cost of sales primarily includes cost of raw materials, fuel expenses (consisting of coal and electricity), employee compensation and benefits, depreciation and amortization and other overhead costs. In 2010, the Group's cost of sales increased by 50% to RMB4,505.6 million from RMB2,994.3 million for 2009 due to the expansion of overall business of the Group.

The gross profit for 2010 was RMB1,201.7 million (2009: RMB1,213.1 million), representing a gross profit margin of 21% on revenue (2009: 29%). The adjustment in gross profit was mainly attributable to the following reasons: (i) the influx of cement from other regions into Sichuan Province and increase in local production capacity further pressurized the sales of manufacturers in Sichuan Province and caused the cement price to significantly drop since mid-2009; (ii) owing to climatic factors, the demand for cement decreased, especially in first half of 2010, leading to a decline in cement price in the markets where the Group had presence; (iii) the coal price remained high in 2010. However, in order to achieve the goal of energy saving and emission reduction, power cuts had been implemented since September 2010, starting from coastal provinces. Some cement enterprises were therefore forced to suspend production. Moreover, owing to the arrival of the traditional peak season of construction works, there was a supply-and-demand imbalance, and a number of regions showed signs of supply shortage, causing sharp rise in cement price in various regions. As a result of such favourable factors, the Group's cement price rose sharply, thereby effectively offsetting the adverse effects of the first three quarters.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income, sales of scrap materials, and gain on disposal of property, plant and equipment. In 2010, other income amounted to RMB54.3 million, representing an decrease of RMB47.6 million or 47% over that of RMB101.9 million in 2009. The decrease in other income was mainly attributable to decrease in government grants during the year under review.

Other Gains/Losses

Other gains/losses mainly comprise exchange gain/loss, donations and allowance of doubtful debts. For 2010, other gains amounted to RMB52.1 million. The other gains were mainly derived from the exchange gain of United States dollar bank borrowings and recovery of doubtful debts.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2010, the distribution and selling expenses amounted to RMB269.9 million, representing an increase of RMB40.7 million or 18% over that of RMB229.2 million for 2009. The increase in distribution costs was attributable to the increase in sales activities in 2010.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses increased by 18%, from RMB184.1 million to RMB216.5 million. The increase was attributable to the increase in headcount of administrative staff and the expenses incurred by the Group for the purpose of expanding its operation and production capacity.

The 22% increase in finance costs was mainly due to the increase in bank borrowings for financing the Group's expansion plan.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2010 decreased by RMB53.0 million, or 8%, to RMB643.3 million from RMB696.3 million for 2009.

Income Tax Expenses

In 2010, income tax expenses increased by RMB34.6 million, or 43%, to RMB115.6 million from RMB81.0 million for 2009. The effective tax rate of the Group increased from 11.6% for 2009 to 18.0% for 2010, primarily attributable to the increase in profit contribution from Central Yangtze River region which has higher rate of Foreign Enterprise Income Tax ("FEIT") than that in Sichuan region.

Non-controlling Interests

In 2010, non-controlling interests amounted to RMB16.9 million, representing an increase of RMB11.6 million, or 219%, from RMB5.3 million for 2009 primarily due to the increase in profit contribution from Jiangxi Yadong and the acquisition of 70% equity interest in Wuhan Xinlingyun by the Group during 2010.

Profit for the Year

For 2010, the net profit of the Group amounted to RMB527.7 million, representing a decrease of RMB87.6 million or 14% over that of RMB615.3 million for 2009.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial and liquidity position for year ended 31 December 2010. Total assets increased by 15% to approximately RMB14,500.0 million (31 December 2009: approximately RMB12,659.5 million) while total equity grew by 6% to approximately RMB7,489.8 million (31 December 2009: approximately RMB7,067.1 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2010, the Group's restricted bank deposits, bank balances and cash amounted to approximately RMB705.9 million (31 December 2009: RMB1,413.6 million) of which 88% was denominated in RMB and 12% in United States dollars, with the remainder denominated in Hong Kong dollars, Singapore dollars and Euros.

Cash Flow

The Group derives its net cash inflow from operations primarily through the receipt of payments for the sale of its cement and concrete products. The Group's cash outflow from operations is used primarily for raw material purchases, payment for fuel and power, distribution costs, staff salaries and interest payments. Cash generated from operating activities decreased from RMB878.9 million in 2009 to RMB491.1 million in 2010. This was mainly due to the increase in trade receivables collection days.

Management Discussion and Analysis

The Group's cash inflow from investment activities primarily consists of interest income and proceeds from disposal of property, plant and equipment. The Group's cash outflow from investment activities primarily consists of acquisition of subsidiary, purchase of property, plant and equipment, land use rights and a quarry. In 2010, the net cash used in investment activities of the Group amounted to RMB1,776.3 million, representing an decrease of 23% from RMB2,318.1 million for 2009. The decrease in cash flow by RMB541.8 million used in investment activities was primarily attributable to less cash used for the purchase of property, plant and equipment to expand the production capacities of the Group.

In 2010, the net cash generated from financing activities of the Group amounted to RMB639.9 million, representing a decrease of RMB52.4 million from 2009. This was primarily attributable to less bank borrowings were made in 2010.

Capital Expenditure

Capital expenditure for the year ended 31 December 2010 amounted to approximately RMB2,061.8 million and capital commitments as at 31 December 2010 amounted to approximately RMB90.6 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.

Borrowings

The Group's bank borrowings as at 31 December 2009 and 2010 are summarized below:

	As at 31 December			
	2010		2009	
	RMB'000	%	RMB'000	%
Short-term borrowing	1,244,228	21	947,155	19
Long-term borrowing	4,722,710	79	3,911,519	81
Currency denomination				
— Renminbi	2,926,245	49	3,801,645	78
— US dollars	3,003,593	50	1,018,640	21
— Hong Kong dollars	37,100	1	38,389	1
Bank borrowings				
— secured	—	—	—	—
— unsecured	5,966,938	100	4,858,674	100
Interest rate structure				
— fixed rate	112,000	2	463,220	10
— variable-rate borrowings	5,854,938	98	4,395,454	90
Interest rate				
— fixed-rate borrowings	4.37–6.62%		1.70–5.31%	
— variable-rate borrowings	90% to 100% of the Benchmark Borrowing Rate of the PRC or LIBOR plus margin of 0.5%–1%		90% to 100% of the Benchmark Borrowing Rate of the PRC or LIBOR plus margin of 0.5%–1%	

As at 31 December 2010, the Group had unutilized credit facilities in the amount of RMB6,083.5 million.

As at 31 December 2010, the Group's gearing ratio was approximately 48% (31 December 2009: 44%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2010 and 2009 respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as of 31 December 2010 other than pledged bank deposits of approximately RMB19.8 million.

Contingent Liabilities

As of the date of this report and as at 31 December 2010, the Board is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2010, the Group had 3,987 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Pre-IPO Share Option Scheme and the Share Option Scheme, where eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company in accordance with their past and potential contribution to the growth of the Group. As at 31 December 2009, about 11,578,000 share options were granted under the Pre-IPO Share Option Scheme and no share options have been exercised yet. Also, as at 31 December 2010, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

On 23 June 2010, the Company announced that the Hubei Yadong Cement Co., Ltd, being a non wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with two individual sellers and Wuhan Xinlingyun Cement Co., Ltd ("Wuhan Xinlingyun") for acquiring 70% of the equity interest in Wuhan Xinlingyun at the total consideration of RMB236.60 million, with appropriate adjustments as required. The consideration shall be satisfied by the Company according to the mechanism described in the announcement of the Company dated 23 June 2010. On 24 February 2011, the final total consideration of approximately RMB250 million was agreed. For details, please refer to the announcement of the Company dated 14 March 2011.

Save for the aforesaid, the Group had no other significant investment, material acquisitions or disposals during 2010.

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 31 December 2010, the Group had several outstanding cross currency interest rate swap contracts of USD90,000,000 to hedge the Group's foreign currency exposure on certain US dollar denominated bank borrowings.

Management Discussion and Analysis

BUSINESS PROSPECTS

The new entry threshold requirements for the cement industry will be implemented in 2011. The State will push ahead with the policy on stringent control of new production capacities and elimination of obsolete production capacities. Along with the rapid slowdown in the growth of investment in the industry, the growth rate of production capacities will slow down significantly. In terms of demand, a number of new key construction projects will commence in the first year of the "Twelfth Five-Year Plan." The construction season will reach its peak with the building of low rental housing and affordable housing (10,000,000 units are to be constructed in 2011). This together with the acceleration of urbanization progress and intensified rural market development will considerably lift the demand for cement products. It is expected that the national cement demand will increase by 8.5% to 160 million tonnes in 2011, and the gap between new supply and demand will narrow significantly when compared with that of 2009. Furthermore, the central government has stated that the macroeconomic policy in 2011 will continue to focus on the implementation of positive fiscal policies. All these provide a relatively favourable environment for the development of the cement industry as a whole.

The Group will continue to proceed with the production capacity and market expansion plan. At present, the construction of Jiangxi Yadong No. 5 and No. 6 new dry process rotary kilns has been speeded up, and it is expected that by 2014 the annual production capacity of clinker will reach 20,000,000 tonnes and actual annual production volume will reach 23,850,000 tonnes. The annual production volume of cement and slag will reach 28,900,000 tonnes and 1,200,000 tonnes respectively, which add up to a total annual production volume of 30,100,000 tonnes. Capitalising on capacity expansion, the Group will adjust its operational strategies that will be in line with government's policies as well as to the advantage of the Company, in an attempt to raise its overall operating results, to continue to adopt the policy of high quality, high level of environmental protection, high efficiency and low cost, to strengthen sales network, to enhance competitive advantages and to further consolidate its leading position in the market.

In addition to controlling new production capacities, eliminating obsolete capacities and saving energy and reducing emission, optimizing the industry structure, enhancing the industry concentration level, accelerating the pace of strategic restructuring and promoting industry consolidation will be on the agenda for the future development of the cement industry. According to industry information, under the Twelfth Five-Year Plan, the goals set for the cement industry include the aggregate production volume of the top 10 cement enterprises to account for more than 35% of the total production volume of the entire industry, and the concentration level of clinker production capacities to reach over 50%. Against the backdrop of stringent control of newly built production lines, mergers and acquisitions and restructuring are the only ways for an enterprise to enter into the industry and become a major player. As an excellent representative of an "energy-saving and environmentally friendly" market player in the cement industry, the Group must pursue continuous development. Therefore, the Group's major development strategies in the future lie in actively seeking suitable targets for mergers and acquisitions and identifying strategic cooperative partners through various channels. Under the well-thought-out and meticulous plans of the management team, the Group expects to make a breakthrough in mergers, acquisitions and restructurings, as well as strategic cooperation with other industry players in 2011. The Group will intensify market penetration while broadening its sales coverage. Looking ahead, the Group is undoubtedly entering into a new promising development stage.

Corporate Governance Report

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

The Company has complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices (the "CG Code") as set forth in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange throughout the year ended 31 December 2010.

MODEL CODE FOR SECURITIES

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

BOARD OF DIRECTORS

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

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

Chairman and non-executive Director

Mr. HSU, Shu-tong

Executive Directors

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

Independent non-executive Directors

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

Biographical information of the Directors is set forth on pages 22 to 24 of this annual report.

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

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

Corporate Governance Report

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

NON-EXECUTIVE DIRECTORS AND RE-ELECTION

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

BOARD MEETINGS

The Board meets regularly in person or by means of electronic communication. The Board is planning to meet at least four times a year and eight meetings were held in 2010. Regular board meetings are usually scheduled at the beginning of the year to give all directors adequate time to plan their schedules to attend. Directors receive at least 14 days' prior written notice of regular board meetings and an agenda. The Board resolutions, including supporting analysis and relevant background information, are normally sent to all Directors at least three days before the Board meeting. For other Board meetings, Directors are given as much notice as possible in the circumstances.

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

According to current Board practice, any material transaction, which involves a conflict of interests due to a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

The Company's Articles also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

The table below sets out the details of Board meeting attendance of each Director in 2010.

Director	Number of Board meetings attended
Mr. HSU, Shu-tong	7/8
Mr. CHANG, Tsai-hsiung	8/8
Madam CHIANG SHAO, Ruey-huey	8/8
Mr. CHANG, Chuen-kuen	8/8
Mr. LIN, Seng-chang	8/8
Dr. WU, Chung-lih	8/8
Mr. LIU, Zhen-tao	8/8
Mr. LEI, Qian-zhi	8/8
Mr. TSIM, Tak-lung Dominic	8/8
Dr. WONG, Ying-ho Kennedy	7/8

AUDIT COMMITTEE

The primary responsibilities of the Audit Committee are,

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

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

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

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

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

Two meetings were held in 2010 and all members attended the meetings.

REMUNERATION COMMITTEE

The primary responsibilities of the Remuneration Committee are,

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

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

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

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

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

One meeting was held in 2010 and all members attended the meeting.

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

REMUNERATION OF DIRECTORS

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

INDEPENDENCE COMMITTEE

The primary responsibilities of the Independence Committee are,

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

Corporate Governance Report

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

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

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

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

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

NOMINATION OF DIRECTORS

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group and in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2010, the Directors have selected appropriate accounting policies and applied them consistently; made judgement and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner.

The statement by the external auditor of the Company regarding their reporting responsibilities of the financial statements of the Group is set forth in the Independent Auditors' Report on page 38 to 39 of this annual report.

EXTERNAL AUDITORS

The Group appointed Messrs. Deloitte Touche Tohamatsu as the Group's principal external auditors. The acknowledgement of their responsibilities on the financial statements is set forth in the Independent Auditors' Report on page 38 to 39 of this annual report.

The remuneration paid to Messrs. Deloitte Touche Tohamatsu for services rendered in respect of the year ended 31 December 2010 is as follows:

	2010 RMB'000
Audit services	**5,978**
Non-audit services	**50**
Total	**6,028**

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The Board, together with the Group's internal audit department and management conduct reviews of the effectiveness of the Company's system of internal control, including those of its subsidiaries. The Audit Committee reviews the findings and opinion of the Group's internal audit department and management on the effectiveness of the Company's system of internal control, and reports to the Board on such reviews. In respect of the year ended 31 December 2010, the Board considered the internal control system effective and adequate. No significant areas of concern which might affect shareholders were identified.

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

INVESTOR RELATIONS

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

Directors and Senior Management

DIRECTORS

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

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. HSU, Shu-tong (徐旭東), aged 69, is the chairman of the Company. Mr. HSU's principal responsibilities involve formulating the overall business strategy of the Group in China. Mr. HSU is also the chairman of Far Eastern New Century Corporation (formerly known as Far Eastern Textile Ltd.), U-Ming Marine Transport Corporation, Far Eastern Department Stores Ltd., Oriental Union Chemical Corporation, Far EasTone Telecommunications Co. Ltd. and Asia Cement Corporation, the vice chairman of Far Eastern International Bank and a director of Everest Textile Co. Ltd., which are listed in Taiwan. Mr. HSU joined Far Eastern Textile in 1971 and had served as its president from 1979 to 1994. Mr. HSU has more than 40 years of experience in managing businesses of the Far Eastern Group. Mr. HSU was awarded in 2005 as Taiwan's "Outstanding Entrepreneur of the Year" and Far Eastern Group was awarded for "Best Social Contributions" in 2007. Mr. HSU graduated from the University of Notre Dame with a master degree and then studied economics at Columbia University Graduate School. Mr. HSU also received an honorary doctoral degree in management from the National Chiao Tung University in Taiwan in 2002.

EXECUTIVE DIRECTORS

Mr. CHANG, Tsai-hsiung (張才雄), aged 87, is an executive Director and the chief executive officer of the Group. Mr. CHANG's primary responsibilities include formulating and implementing the overall business strategies as well as planning and overseeing the entire operation of the Group in the PRC. Mr. CHANG is also an executive director of Asia Cement Corporation, a company listed in Taiwan. Mr. Chang joined Asia Cement Group in 1963 and joined the Group in October 1997. Mr. CHANG has more than 40 years of experience in the cement industry in both Taiwan and the PRC.

Madam CHIANG SHAO, Ruey-huey (邵瑞蕙), aged 63, is an executive Director and the chief financial officer of the Group. Madam SHAO has more than 40 years experience of financial management, planning and information system management in the cement industry. Madam SHAO is also a director of China Hi-Ment Corporation and Far Eastern Department Stores Ltd and a supervisor of U-Ming Marine Transport Corporation, all of which are listed in Taiwan. Madam SHAO joined Asia Cement Group in 1970 and joined the Group in October 1997. Madam SHAO graduated from the Soochow University in Taiwan in 1970 with a bachelor degree in accountancy.

Mr. CHANG, Chen-kuen (張振崑), aged 63, is an executive Director, the deputy chief executive officer and the chief technical officer of the Group. Mr. CHANG is responsible for the production technology and research and development activities of the Group. Mr. CHANG has more than 40 years of experience of engineering and management in the cement industry. Mr. CHANG joined Asia Cement Group in 1968 and joined the Group in December 1997. Mr. CHANG graduated from Taipei Technical Institute majoring in mechanical engineering.

Mr. LIN, Seng-chang (林昇章), aged 67 is an executive Director, the deputy chief executive officer and the chief marketing officer of the Group. Mr. LIN is primarily responsible for formulating and implementing the sales and marketing strategies of the Group as well as overseeing its sales and marketing activities. Mr. LIN has more than 40 years of experience of sales and management in the cement industry. Mr. LIN joined Asia Cement Group in 1962 and joined the Group in October 1999. Mr. LIN graduated from National Taipei College of Business in October 1962.

Dr. WU, Chung-lih (吳中立), aged 61, is an executive Director, the deputy chief executive officer, the chief administrative officer and the compliance officer of the Group, responsible for the general administrative affairs including but not limited to procurement and secretarial duties. Dr. WU is also an independent non-executive director of Arima Optoelectronic Corporation which is a company listed in Taiwan. Dr. WU has extensive work experience in Taiwan and the United States. He was a senior official of the Taiwan central government for the period from 1989 to 2000, and had been a teaching and research fellow in various universities in Taiwan and the United States for 15 years, specializing in the areas of health economics, econometrics, public finance, economics of education and analysis of economic policy. Dr. WU joined the Eastern Multimedia Group in May 2000 and served as the chief executive officer and the president of Eastern Multimedia Company from June 2001 to February 2005. Dr. WU joined the Group in August 2005. He holds a PhD degree in economics from the State University of New York at Albany.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU, Zhen-tao (劉震濤), aged 73, served as an independent non-executive Director of the Company in April 2008. Mr. LIU is also an independent non-executive director of Hanbell Precise Machinery Co. Ltd., a company listed in the PRC. Mr. LIU is a director of the Institute of Taiwan Studies of the Tsinghua University in the PRC, a council member of Taiwan Affairs Office of the State Council of the PRC, and the vice-president of the China Industrial Overseas Development & Planning Association. Mr. LIU has had over 15 years experience of teaching and research while serving as the deputy director of the Automatisation Department and the Technology Development of the Tsinghua University from September 1960 to June 1986. He then served as the deputy secretary of the Foreign Loans Bureau and the Department of Foreign Capital Utilization of the former State Planning Commission, currently known as the NDRC, from June 1986 to April 1989, and as the secretary of the Economy Bureau of the State Council's Taiwan Affairs Office and the head of the Taiwan Affair Office of the State Planning Commission from April 1989 to April 1998. From October 1998 to October 2003, Mr. LIU was the vice president of the Association for Relations across the Taiwan Strait. Mr. LIU graduated from the power mechanical engineering department of the Tsinghua University, China in July 1960.

Mr. LEI, Qian-zhi (雷前治), aged 69, served as an independent non-executive Director of the Company in April 2008. Mr. LEI is a professor engineer. He is the president of the China Cement Association Council and the vice-president of the China Building Material Industry Association Council. Mr. LEI has over 16 years experience of engineering and cement enterprise management. He served as a technician, an engineer, a workshop head and a factory director of Guizhou Shuicheng Cement Plant from January 1970 to April 1986. He also has over 22 years experience of administrative management of local and national governments relating to the building materials industry. Mr. LEI was the president of Guizhou Province Building Materials Bureau from March 1986 to January 1991, and he served as a deputy department manager of the National Building Materials Industry Bureau from January 1991 to February 2001. Mr. LEI was the vice president of China Building Material Industry Association from February 2001 to June 2004. Mr. LEI obtained a bachelor degree in Portland Cement from Nanjing Chemistry Institution in 1968.

Mr. TSIM, Tak-lung Dominic (詹德隆), JP, aged 64, served as an independent non-executive Director of the Company in April 2008. Mr. TSIM is a director of **Playmates Holdings Limited and of the Greater China Fund, Inc. Mr. TSIM runs his own consultancy business which provides macro-level economic and political analysis to interested clients. Mr. TSIM has served two terms on the Central Policy Unit of the Hong Kong Government. Mr. TSIM graduated from the University of Hong Kong in 1968 with a bachelor of arts degree in English.

Directors and Senior Management

Dr. WONG, Ying-ho Kennedy (黃英豪), BBS, DCL, JP, aged 48, served as an independent non-executive Director of the Company in April 2008. Dr. WONG is a solicitor of the High Court of Hong Kong, China Appointed Attesting Officer and a director of the China Law Society. Dr. WONG is the Managing Partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. Dr. WONG is a National Committee Member of the Chinese People's Political Consultative Conference. Dr. WONG is the chairman of **Hong Kong Resources Holdings Company Limited, and also a director of Bohai Industrial Investment Fund Management Company Limited, **China Overseas Land & Investment Limited, **Goldlion Holdings Limited, **Shanghai Industrial Urban Development Group Limited, Pacific Alliance Asia Opportunity Fund Limited, and Hong Kong Airlines Limited. Dr. Wong was the executive deputy chairman of **Raymond Industrial Ltd. and also a director of **Capinfo Company Limited, **Coastal Realty Group Limited, *Computime Group Limited, **Great Wall Cybertech Limited, **Great Wall Technology Company Limited, **Qin Jia Yuan Media Services Company Limited, **International Financial Network Holdings Ltd. and **i-Steel Asia Holdings Limited. Dr. WONG is also a member of the Election Committee of Hong Kong responsible for electing Hong Kong's Chief Executive. Dr. WONG has served on Hong Kong's legislature from 1996 to 1998 and was selected as one of the Ten Outstanding Young Persons of Hong Kong in 1998 and then one of the Ten Outstanding Young Persons of the World in 2003. Dr. WONG received an Honorary Degree of Doctor of Civil Laws from the University of Kent in July 2007.

SENIOR MANAGEMENT

Mr. FANG, Lu-hsing (方履興), aged 58, is the deputy chief administrative officer of the Group. Mr. FANG is primarily responsible for assisting the chief administrative officer to oversee the general administrative affairs of the Group. Mr. FANG has over 30 years of experience of management in the cement industry. Mr. FANG graduated from the National Chung Hsing University in Taiwan majoring in accounting. Mr. FANG joined Asia Cement in May 1978 and joined the Group in December 1997.

Mr. WONG, Liang-shih (王亮石), aged 59, is the associate of the administration department and the manager of the united procurement department of the Group. Mr. WONG is primarily responsible for managing the procurement of the Group. Mr. WONG has over 30 years of experience of procurement management in the cement industry. Mr. WONG graduated from the Tamkang University in Taiwan majoring in English. Mr. WONG joined Asia Cement in August 1981 and joined the Group in December 1997.

Mr. WU, Chien-hua (吳建華), aged 55, is the associate of the treasury department and the manager of the accounting and finance department of the Group. Mr. WU is primarily responsible for the accounting duties of the Group. Mr. WU has over 30 years of experience of accounting in the cement industry. Mr. WU graduated from the Soochow University in Taiwan majoring in accounting. Mr. WU joined Asia Cement in July 1981 and joined the Group in March 2005.

Mr. LIN, Chiang-hua (林江海), aged 51, is the manager of information technology department of the Group. Mr. LIN is primarily responsible for managing the maintenance and upgrade work of the information technology system of the Group. Mr. LIN has approximately 30 years of experience of information technology in the cement industry. Mr. LIN graduated from the Oriental Institute of Technology in Taiwan majoring in electronics. Mr. LIN joined Asia Cement in December 1984 and joined the Group in December 2004.

Mr. LEE, Shaw-shan (李紹先), aged 55, is the manager of the quality control and research and development department of the Group. Mr. LEE is primarily responsible for the production quality control and technology and research and development of the Group. Mr. LEE has over 30 years of experience of engineering in the cement industry. Mr. LEE graduated from the Tamkang University in Taiwan with a bachelor degree in chemistry engineering in 1977 and from the Pennsylvania State University with a master degree in science in 1986. Mr. LEE joined Asia Cement in February 1981 and joined the Group in May 1998.

Mr. KAO, Ming-yu (高銘佑), aged 61, is the manager of mining operation department of the Group. Mr. KAO is primarily responsible for managing the operation of mines of the Group. Mr. KAO has over 30 years experience of mining in the cement industry. Mr. KAO graduated from the National Cheng Kung University in Taiwan with a bachelor degree in mining. Mr. KAO joined Asia Cement in August 1974 and joined the Group in December 1997.

Mr. LO, Wai-kit (盧偉傑), ACCA, FCPA, CFA, aged 37, is the company secretary and one of the authorized representatives of the Company. He has over 15 years of experience in the field of accounting and auditing. Prior to joining the Company in December 2007, he served as the vice president of finance and accounting of** CIG Yangtze Ports PLC, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. LO is an associate member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst and hold a degree of Bachelor of Arts (Honours) in Accountancy from the City University of Hong Kong.

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

Directors' Report

The Directors are pleased to present their Annual Report, including the audited consolidated financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal business activities are manufacture and sales of cement, concrete and related products. The activities of the principal subsidiaries are set out on pages 102 to 105 of this Annual Report. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 40.

The Directors recommended the payment of a final dividend of RMB0.10 per ordinary share, totaling RMB155,625,000 in respect of the year to shareholders on the register of members on 30 May 2011. The proposed final dividend for the year ended 31 December 2010 has been approved at the Company's Board meeting on 18 March 2011. Details of the dividends for the year ended 31 December 2010 are set forth in note 16 to the financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 May 2011 to Monday, 30 May 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Services Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 20 May 2011.

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB3,467.6 million. The amount of approximately RMB3,467.6 million includes the Company's share premium account of approximately RMB3,369.9 million and accumulated profits of approximately RMB97.7 million in aggregate as at 31 December 2010, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB2.2 million.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year are set forth in notes 36 and 39 to the financial statements, respectively and in the section headed "Share Option Schemes" in the Directors' Report.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

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

MAJOR CUSTOMERS AND SUPPLIERS

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

— Aggregate purchase attributable to the Group's five largest suppliers were less than 30% of the total purchase of the Group in both the years of 2009 and 2010.

— Aggregate sales attributable to the Group's five largest customers were less than 30% of the total turnover of the Group in both the years of 2009 and 2010.

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

Directors' Report

DIRECTORS

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

Chairman and non-executive Director

Mr. HSU, Shu-tong

Executive Directors

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

Independent non-executive Directors

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

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

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

DIRECTORS' AND SENIOR MANAGEMENTS' BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set forth on pages 22 to 25 of the Annual Report.

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

Details of the emoluments of the directors and the five highest paid individuals of the Company in 2010 are set in note 15 to the financial statements.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

Directors' Report

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

As at 31 December 2010, 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, 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			% of the Company's issued shares
Name of Director	Personal interests	Equity derivatives (Note 1)	Total interests	
Mr. Chang, Tsai-hsiung	200,000	1,500,000	1,700,000	0.11%
Madam Chiang Shao, Ruey-huey	40,000	400,000	440,000	0.03%
Mr. Hsu, Shu-tong	—	3,000,000	3,000,000	0.19%
Mr. Chang, Chen-kuen	51,000	400,000	451,000	0.03%
Mr. Lin, Seng-chang	—	400,000	400,000	0.03%
Mr. Wu, Chung-lih	—	400,000	400,000	0.03%

Note:

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

Long positions in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Type of interest: Personal	Through spouse	Corporate	Total no. of shares in the associated corporation	% of shareholding in the associated corporation
Mr. Chang, Tsai-hsiung	Asia Cement Corporation ("Asia Cement")	420,250	38,697	-	458,947	0.01%
	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 31 December 2010, 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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 December 2010 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 percentage of holding
Asia Cement *(Note 1)*	Beneficial owner and interest by attribution	1,136,074,000	73.00%

Note:

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 31 December 2010, 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 31 December 2010, 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%

Directors' Report

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

Details of the share options outstanding as at 31 December 2010 which have been granted under the Pre-IPO Share Option Scheme are as follows:

Name	Date of Grant	Options outstanding at 1 January 2010	Granted during the period	Options exercised during the period	Option lapsed on expiry	Options cancelled upon termination of employment	Option outstanding at 31 December 2010
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.

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 31 December 2010, or as at the date of this Annual Report.

EMOLUMENT POLICY

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

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

The Group operates a Mandatory Provident Fund ("MPF") Scheme under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2010.

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

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

Directors' Report

NON-COMPETITION UNDERTAKING

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

LONG TERM RECEIVABLES

Details of long term receivables from the Ruichang City Government and the Wuhan City Government are set out in note 35 to the financial statements.

Receivable from the Ruichang City Government

During 2010, approximately RMB1.1 million had been repaid by the Ruichang City Government. Of such repayment, approximately RMB0.9 million was made by offsetting land use tax payments of Jiangxi Yadong to the Ruichang City Government and approximately RMB0.2 million was made by offsetting the dividends paid to Jiangxi City Construction Materials Group Company (being the minority shareholder of Jiangxi Yadong and an investment vehicle of Ruichang City Government).

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

Receivable from the Wuhan City Government

According to the agreements with Wuhan City government, the repayment will be made by (i) four equal annual installments of RMB2 million commencing 31 December 2010 and (ii) offsetting 50% of certain taxes payable to the local tax authority by Hubei Yadong. The first installment amounted to RMB2 million was subsequently settled in January 2011.

The Directors are of the view that since Hubei Yadong is expected to continue operation and remain profitable, it will have positive tax obligation. As such, the Directors expect that, through (i) the continue repayments made by Wuhan City government and (ii) offsetting 50% of certain taxes, the Directors consider that these advances will be fully recoverable by 2015.

The independent non-executive Directors concluded that no claim under the indemnity provided by Asia Cement is necessary for 2010.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

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

18 March 2011

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Asia Cement (China) Holdings Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 105, which comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
18 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Revenue	7	**5,707,320**	4,207,408
Cost of sales		**(4,505,575)**	(2,994,271)
Gross profit		**1,201,745**	1,213,137
Other income	9	**54,329**	101,923
Other gains (losses)	10	**52,146**	(60,902)
Distribution and selling expenses		**(269,928)**	(229,209)
Administrative expenses		**(216,488)**	(184,110)
Share of (loss) profit of jointly controlled entities		**(271)**	949
Share of loss of an associate		**(247)**	–
Finance costs	11	**(178,001)**	(145,498)
Profit before tax		**643,285**	696,290
Income tax expense	12	**(115,555)**	(81,004)
Profit for the year	13	**527,730**	615,286
Other comprehensive loss:			
Available-for-sale financial assets	14	**–**	–
Total comprehensive income for the year		**527,730**	615,286
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**510,873**	609,966
Non-controlling interests		**16,857**	5,320
		527,730	615,286
		RMB	RMB
Earnings per share	17		
Basic		**0.33**	0.39
Diluted		**0.33**	0.39

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**10,021,327**	8,844,152
Quarry	19	**215,511**	140,661
Prepaid lease payments	20	**548,729**	392,470
Goodwill	22	**138,759**	–
Other intangible assets	23	**20,421**	–
Interests in jointly controlled entities	24	**45,755**	46,026
Investment in an associate	25	**11,753**	–
Deposits paid for land use rights		**–**	101,143
Deposits paid for mining right		**–**	24,642
Deferred tax assets	34	**14,877**	14,029
Long term receivables	35	**79,007**	56,152
		11,096,139	9,619,275
CURRENT ASSETS			
Inventories	26	**679,669**	483,989
Long term receivables – due within one year	35	**15,083**	11,030
Trade and other receivables	27	**1,983,489**	1,115,751
Tax recoverable		**–**	5,836
Prepaid lease payments	20	**14,491**	9,919
Amount due from a related company	28	**980**	–
Derivative assets	30	**4,181**	130
Restricted bank deposits	31	**19,769**	82,340
Bank balances and cash	31	**686,099**	1,331,266
		3,403,761	3,040,261
CURRENT LIABILITIES			
Trade and other payables	32	**886,555**	673,771
Amounts due to non-controlling interests	29	**37,000**	–
Amounts due to related companies	28	**5,940**	6,111
Tax payables		**57,437**	25,768
Bank borrowings – due within one year	33	**1,244,228**	947,155
Derivative liabilities	30	**4,783**	–
		2,235,943	1,652,805
NET CURRENT ASSETS		**1,167,818**	1,387,456
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,263,957**	11,006,731

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT LIABILITIES			
Other payables	32	15,000	18,000
Bank borrowings – due after one year	33	4,722,710	3,911,519
Derivative liabilities	30	13,937	–
Deferred tax liabilities	34	22,521	10,121
		4,774,168	3,939,640
NET ASSETS		7,489,789	7,067,091
CAPITAL AND RESERVES			
Share capital	36	139,549	139,549
Reserves		7,154,384	6,794,609
Equity attributable to owners of the Company		7,293,933	6,934,158
Non-controlling interests		195,856	132,933
TOTAL EQUITY		7,489,789	7,067,091

The consolidated financial statements on pages 40 to 105 were approved and authorised for issue by the Board of Directors on 18 March 2011 and are signed on its behalf by:

CHANG, TSAI-HSIUNG
DIRECTOR

CHIANG SHAO, RUEY-HUEY
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to equity holders of the Company									
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000 *(note a)*	Other reserves RMB'000 *(note b)*	Special reserve RMB'000 *(note c)*	Share option reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2009	139,549	3,376,570	164,947	286,038	1,673,893	7,748	822,876	6,471,621	119,393	6,591,014
Profit and total comprehensive income for the year	–	–	–	–	–	–	609,966	609,966	5,320	615,286
Appropriation	–	–	110,281	–	–	–	(110,281)	–	–	–
Recognition of equity-settled share-based payment	–	–	–	–	–	8,196	–	8,196	–	8,196
Dividend recognised as distributions *(note 16)*	–	–	–	–	–	–	(155,625)	(155,625)	–	(155,625)
Dividends paid to non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	(3,736)	(3,736)
Capital contribution from non-controlling interest *(note d)*	–	–	–	–	–	–	–	–	11,956	11,956
At 31 December 2009	139,549	3,376,570	275,228	286,038	1,673,893	15,944	1,166,936	6,934,158	132,933	7,067,091
Profit and total comprehensive income for the year	–	–	–	–	–	–	510,873	510,873	16,857	527,730
Appropriation	–	–	150,368	–	–	–	(150,368)	–	–	–
Acquisition of subsidiary	–	–	–	–	–	–	–	–	47,783	47,783
Recognition of equity-settled share-based payment	–	–	–	–	–	4,527	–	4,527	–	4,527
Dividend recognised as distributions *(note 16)*	–	–	–	–	–	–	(155,625)	(155,625)	–	(155,625)
Dividends paid to non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	(1,717)	(1,717)
At 31 December 2010	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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

Notes:

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

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

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

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

b. Other reserves as at 31 December 2010 mainly comprise (i) capital contributions from Asia Cement Corporation ("Asia Cement"), immediate and ultimate holding company of the Company, and the non-controlling shareholders; (ii) the remuneration paid by Asia Cement to certain employees of Asia Cement and its subsidiaries ("Asia Cement Group") for their service provided to the Group (the "Payments"). The Payments were not recharged to the Group and therefore the Payments were treated as capital contribution from Asia Cement and (iii) a waiver of advances from Asia Cement in relation to the audit fees of the Group for the three years ended 31 December 2004, 2005 and 2006 paid by Asia Cement on behalf of the Group.

c. Special reserve as at 31 December 2010 represents mainly (i) approximately RMB1,623,254,000 as the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of share capital and share premium of the subsidiaries acquired by the Company through the exchange of shares during the Company's reorganization in 2004. (ii) approximately RMB3,577,000 as the difference between the capital injected by Der Ching Investment and the increase in carrying amount of the non-controlling interest as a result of the deemed disposals. After the capital injection, Der Ching Investment's interest in Sichuan Yadong was further increased from 18.92% to 36.84%. (iii) approximately RMB54,216,000 as the difference between the consideration in acquiring, the remaining 36.84% equity interests in Sichuan Yadong from Der Ching Investment and the decrease in the carrying amount of the non-controlling interest as deemed contribution from Asia Cement.

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
OPERATING ACTIVITIES		
Profit before tax	643,285	696,290
Adjustments for:		
Depreciation and amortisation	616,506	467,061
Interest expenses	178,001	145,498
Changes in fair value of derivative financial instrument, net	10,524	(130)
Equity-settled share-based payment expense	4,527	8,196
Fair value adjustment on long term receivables	–	3,282
Loss on disposal of property, plant and equipment	2,497	623
Share of loss (profit) of jointly controlled entities	271	(949)
Share of loss from an associate	247	–
Gain on disposal of available-for-sale investments	–	(502)
Interest income	(9,050)	(15,923)
Imputed interest income on long term receivables	(1,095)	(745)
(Reversal of) allowance for doubtful debts, net	(437)	25,122
Operating cash flows before movements in working capital	1,445,276	1,327,823
Increase in inventories	(169,996)	(68,504)
Increase in trade and other receivables	(794,054)	(378,436)
(Increase) decrease in amount due from a related company	(980)	37
Decrease in derivative financial instruments	649	–
Increase in trade and other payables	108,464	56,395
Decrease in amounts due to related companies	(171)	(112)
Cash generated from operations	589,188	937,203
Income taxes paid	(97,997)	(58,349)
NET CASH FROM OPERATING ACTIVITIES	491,191	878,854
INVESTING ACTIVITIES		
Decrease in restricted bank deposits	62,571	20,603
Interest received	12,546	20,556
Proceeds on disposal of property, plant and equipment	9,500	3,335
Repayment of long term receivables from local governments and a port lessor in PRC	5,064	19,799
Proceeds on disposal of available-for-sale investments	–	524,502
Decrease in time deposits	–	20,000
Acquisition of available-for-sale investments	–	(524,000)
Increase in deposits paid for land use rights	–	(17,387)
Capital contribution to jointly controlled entity	–	(14,802)
Purchase of property, plant and equipment	(1,516,188)	(2,245,437)
Acquisition of a subsidiary *(note 21)*	(217,555)	–
Purchase of quarry	(55,155)	(77,084)
Advances to local governments and a port lessor in PRC	(30,877)	(20,308)
Purchase of land use rights	(28,610)	(27,902)
Investment in an associate	(12,000)	–
Purchase of intangible assets	(5,596)	–
NET CASH USED IN INVESTING ACTIVITIES	(1,776,300)	(2,318,125)

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
FINANCING ACTIVITIES		
Repayments of borrowings	(1,601,792)	(2,036,654)
Interest paid	(229,980)	(204,076)
Dividend paid	(155,625)	(155,625)
Dividend paid to non-controlling interest of subsidiaries	(1,717)	(3,736)
Repayments of advances to Asia Cement	–	(1,264)
Capital contributions from non-controlling interest	–	11,956
New bank borrowings raised	2,629,056	3,081,708
NET CASH FROM FINANCING ACTIVITIES	639,942	692,309
NET DECREASE IN CASH AND CASH EQUIVALENTS	(645,167)	(746,962)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,331,266	2,078,228
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	686,099	1,331,266

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

1. GENERAL

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

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

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

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

In the current year, the Group has applied the following new and revised Standards and Interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee (formerly called the IFRIC) of the IASB.

IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (as revised in 2008)	Business Combinations
IAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRIC 17	Distributions of Non-cash Assets to Owners

Except as described below, the application of the new and revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

IFRS 3 (as revised in 2008) Business Combinations

IFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

IFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition. In the current year, acquisition-related costs for the acquisition of Wuhan Xinlingyun Cement Co., Ltd of RMB500,000 have been recognised as an expense. As a result of the application of IFRS 3 (as revised in 2008), both profit for the year and goodwill are decreased by RMB500,000. There is no change in earnings per share. Results in future periods may be affected by a reduction in future impairment losses due to the decreased goodwill.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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

IFRS 3 (as revised in 2008) Business Combinations (continued)

The Group has not early adopted the following new and revised IFRSs that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[1]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
IFRS 9	Financial Instruments[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
IAS 24 (as revised in 2009)	Related Party Disclosures[3]
IAS 32 (Amendments)	Classification of Rights Issues[6]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 *Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.*
2 *Effective for annual periods beginning on or after 1 July 2010.*
3 *Effective for annual periods beginning on or after 1 January 2011.*
4 *Effective for annual periods beginning on or after 1 January 2013.*
5 *Effective for annual periods beginning on or after 1 January 2012.*
6 *Effective for annual periods beginning on or after 1 February 2010.*

The directors of the Company anticipate that the application of the new and revised IFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of consolidation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Business combinations that took place on or after 1 January 2010 (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Business combinations that took place on or after 1 January 2010 (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity, profits or losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the jointly controlled entity that are not related to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than properties under construction as described below are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Quarry

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

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Impairment loss of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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

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

Inventories

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

Revenue recognition

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

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

Transportation fee income is recognised when the service is provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Foreign currencies

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

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

Borrowing costs

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

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

Government grants

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

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

Retirement benefit costs

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instrument.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated the unlisted mutual fund as an available-for-sale financial asset in the prior year.

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

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

Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

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

Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including borrowings, trade and other payables, amounts due to non-controlling interests and amounts due to related companies) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

Share options granted to employees

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at 31 December 2010, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

Estimated impairment of trade and other receivables and long term receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amounts of trade and other receivables and long term receivables are RMB1,983,489,000 (2009: RMB1,115,751,000) (net of allowance for doubtful debts of RMB51,067,000 (2009: RMB52,115,000)) and RMB94,090,000 (2009: RMB67,182,000), respectively.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amount of goodwill is RMB138,759,000. No impairment loss has been recognised. Details of the recoverable amount calculation are disclosed in note 22.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consist of debts that include bank borrowings as disclosed in note 33, net of bank balances and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2010 **RMB'000**	2009 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,480,071**	2,356,543
Derivative financial instruments	**4,181**	130
Financial liabilities		
Amortised cost	**6,752,805**	5,398,906
Derivative financial instruments	**18,720**	–

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies

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

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The Group is exposed to the concentration of credit risk in relation to the long term receivables from certain PRC local governments (note 35). The Group will monitor the level of exposure to ensure that follow up actions and /or corrective actions are taken promptly to lower the risk exposure or to recover the overdue balances. Other than the above, the Group has no other significant concentration of credit risk with exposure spread over a large number of counterparties and customers.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks

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

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the long term receivables (note 35), fixed-rate borrowings (note 33) and restricted bank deposits (note 31).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, time deposits, restricted bank deposits (note 31) and borrowings (note 33). During the year ended 31 December 2010, the Group entered a cross currency interest rate swap to hedge against its exposure to changes in the interest rate of a bank borrowings with notional amount of approximately US$50,000,000. The management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the London Interbank Offered Rate ("LIBOR") and Benchmarking Rate arising from the Group's borrowing.

Sensitivity analysis

The sensitivity analysis have been determined based on the exposure to interest rates for variable-rate borrowings and bank balances after excluding borrowings which are hedged by the cross currency interest rate swap. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points increase or decrease is used and represents management's assessment of the possible change in interest rate. As a result of more volatile financial market, the management adjusted the sensitivity rate from 30 basis points to 100 basis points in the current year for the propose of analysing interest rate risk.

Borrowings

If interest rates had been 100 basis points (2009: 30 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year would decrease/increase by approximately RMB48,756,000 (2009: RMB11,297,000). This is mainly attributable to the Group's exposure to the interest rates on its variable-rate borrowings.

Bank Balances

If interest rates had been 30 basis points (2009: 30 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year would increase/decrease by approximately RMB1,549,000 (2009: RMB2,481,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

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

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(ii) Currency risk

Certain bank deposits (note 31) and bank borrowings (note 33) of the Group are denominated in United States dollars ("US dollars"), Euros, Singapore dollars and Hong Kong dollars, being currencies other than the functional currency of the relevant Group entities, which expose the group to foreign currency risk.

During the year ended 31 December 2010, the Group entered a cross currency interest rate swap contract with notional amount of approximately US$50,000,000 to hedge against its foreign currency exposure on a US dollars denominated bank borrowings with maturity date by 18 March 2012.

During the year ended 31 December 2009, the Group entered a foreign exchange forward contract with notional amount of approximately US$22,000,000 to hedge against its foreign currency exposure on a US dollars denominated bank borrowings which matured on 10 May 2010.

The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in Renminbi against the relevant foreign currencies. 10% is the sensitivity rates used in the current year which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items after excluding those hedged by cross currency interest rate swap and foreign exchange forward contract and adjusts their translation at the year end for a 10% change in foreign currency rates.

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

	Impact of US dollars		Impact of Hong Kong dollars		Impact of Euros		Impact of SGD	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Increase (decrease) in profit	**244,796**	35,548	**2,613**	665	**(10)**	(276)	**(68)**	(88)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

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

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

Liquidity tables

	Weighted average interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total undis-counted cash flows RMB'000	Total carrying amount at the 31.12.2010 RMB'000
2010								
Trade and other payables	–	727,927	–	3,000	9,000	3,000	742,927	742,927
Amounts due to non-controlling interests	–	37,000	–	–	–	–	37,000	37,000
Amounts due to related companies	–	5,940	–	–	–	–	5,940	5,940
Variable interest rate borrowings	3.18	635,609	513,658	1,609,737	2,992,075	611,304	6,362,383	5,854,938
Fixed interest rate borrowings	5.34	53,241	59,778	–	–	–	113,019	112,000
		1,459,717	573,436	1,612,737	3,001,075	614,304	7,261,269	6,752,805

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

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

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

c. Fair value

The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The fair value of derivative instruments is measured using quoted price and yield curves derived from quoted interest rates matching the maturities of the contracts.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

6. FINANCIAL INSTRUMENTS (continued)

c. Fair value (continued)

Fair value measurements recognised in the statement of financial position

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

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

	31.12.2010			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial asset at FVTPL				
Cross currency interest rate swap	**–**	**4,181**	**–**	**4,181**
Financial liability at FVTPL				
Cross currency interest rate swap	**–**	**(18,720)**	**–**	**(18,720)**

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

There were no transfers between Level 1 and 2 in both years.

7. REVENUE

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

	2010 RMB'000	2009 RMB'000
Sales of cement products and related products	5,197,161	3,769,998
Sales of concrete	510,159	437,410
	5,707,320	4,207,408

8. SEGMENT INFORMATION

Internal reports that are regularly reviewed by the chief executive officer, being the chief operating decision maker, for the purposes of resource allocation and the assessment of segment performance focus on the revenues and operating results of the cement business and the concrete business, respectively. They are considered as the operating and reportable segments of the Group under IFRS 8.

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

For the year ended 31 December 2010

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue					
External sales	5,197,161	510,159	5,707,320	–	5,707,320
Inter-segment sales	97,189	33,484	130,673	(130,673)	–
Total	5,294,350	543,643	5,837,993	(130,673)	5,707,320
Segment result	832,331	32,423	864,754	(16,612)	848,142
Unallocated income					28,486
Central administration costs, directors' salaries and other unallocated expense					(54,824)
Share of loss of jointly controlled entities					(271)
Share of loss of an associate					(247)
Finance costs					(178,001)
Profit before tax					643,285

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

8. SEGMENT INFORMATION (continued)

For the year ended 31 December 2009

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue					
External sales	3,769,998	437,410	4,207,408	–	4,207,408
Inter-segment sales	76,547	61,827	138,374	(138,374)	–
Total	3,846,545	499,237	4,345,782	(138,374)	4,207,408
Segment result	838,574	23,368	861,942	(26,309)	835,633
Unallocated income					38,534
Central administration costs, directors' salaries and other unallocated expense					(33,328)
Share of profit of jointly controlled entities					949
Finance costs					(145,498)
Profit before tax					696,290

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

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

8. SEGMENT INFORMATION (continued)

Other segment information

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Total RMB'000
2010				
Amounts included in the measure of segment profit or loss:				
Depreciation and amortisation	**574,677**	**31,231**	**10,598**	**616,506**
Loss (gain) on disposal of property, plant and equipment	**2,602**	**456**	**(561)**	**2,497**
(Reversal of) allowance for doubtful debts, net	**(106)**	**(1,236)**	**905**	**(437)**
Amounts that regularly provided to CODM but not included in the measure of segment profit or loss:				
Additions to non-current assets *(note)*	**1,997,484**	**49,902**	**14,395**	**2,061,781**

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

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

Geographical Information

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

Information about major customers

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

Notes to the Consolidated Financial Statements

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9. OTHER INCOME

	2010 RMB'000	2009 RMB'000
Government grant *(note 42)*	16,766	51,240
Transportation fee income	11,211	18,964
Sales of scrap materials	10,548	8,029
Interest income on bank deposits	9,050	15,923
Imputed interest income on long term receivables	1,095	745
Rental income, net of outgoings *(note)*	864	3,470
Others	4,795	3,552
	54,329	101,923

Note: The direct operating expenses incurred for generating rental income amount to approximately RMB245,000 (2009: approximately RMB672,000).

10. OTHER GAINS (LOSSES)

	2010 RMB'000	2009 RMB'000
Exchange gain (loss), net	64,458	(4,765)
Reversal of (allowance for) doubtful debts, net *(note a)*	437	(25,122)
Gain on disposal of available-for-sale investments	–	502
Fair value adjustment on long term receivables	–	(3,282)
Change in fair value of derivative financial instruments, net *(note b)*	(10,524)	130
Donations *(note c)*	(2,225)	(28,365)
	52,146	(60,902)

Notes:

a. In 2009, additional allowance for doubtful debts of approximately 25 million has been made on trade receivables, taking into account the estimated future cash flows by reference to past default experience, financial condition and the ages of these trade receivables.

b. Out of the aggregate notional principal amount of the outstanding non-delivery swap at 31 December 2010 of USD90,000,000, a swap contract with notional amount of USD50,000,000 was entered into to hedge against interest rate risk and foreign currency risk in relation to a bank loan. Details in derivative financial instrument have been set out in note 30.

c. In 2009, donations of approximately RMB24 million have been made in Province of Sichuan in relation to construction of roads and schools in Sichuan.

11. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interests on bank borrowings:		
– Wholly repayable within five years	143,247	177,763
– Not wholly repayable within five years	78,639	20,556
Total borrowing costs	221,886	198,319
Less: Interests capitalised	(43,885)	(52,821)
	178,001	145,498

Borrowings costs capitalised during the year ended 31 December 2010 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.76% (2009: 4.45%) per annum to expenditure on qualifying assets.

12. INCOME TAX EXPENSE

	2010 RMB'000	2009 RMB'000
The tax expense comprises:		
Current tax:		
– PRC Enterprise Income Tax ("EIT")	114,566	77,868
– Other jurisdictions	–	5
	114,566	77,873
Withholding tax paid	8,137	4,910
Overprovision in prior years	(2,710)	(730)
Deferred tax *(note 34)*	(4,438)	(1,049)
	115,555	81,004

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

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate of PRC subsidiaries is 25% from 1 January 2008 onwards. On 26 December 2007, the State Council of the PRC issued a circular of Guofa [2007] No. 39 – Notice of the State Council Concerning Implementation of Transitional Rules for Enterprise Income Tax Incentives ("Circular 39"). The EIT Law and the Circular 39 would change the applicable tax rate for certain Group's PRC subsidiaries from the preferential rate of 15% to 20%, 22%, 24% and 25% for the years ended/ending 31 December 2009, 2010, 2011 and 2012 respectively. Further, the State Administration of Taxation and Minister of Finance jointly issued a circular of Caishui [2009] No. 21 to further clarify that, effective from 2008, preferential tax rates which are allowed to be enjoyed by qualified enterprise until its expiry shall be the transitional rates as stipulated under Circular 39.

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12. INCOME TAX EXPENSE (continued)

Pursuant to article 2(1) of "The Notice of Taxation Preferential Policy in the Western Region issued by The General Office of Finance, The State Administration of Taxation, General Administration of Customs" ("Cai Shui [2001] no. 202"), "a preferential corporate tax rate of 15% is applicable to qualified domestic enterprises of national promoted industry set up in the western region and is valid from 2001 to 2010" and "The Notice of Implement of Transitional Preferential Corporate Income Tax Policy issued by State Council" ("Guo Fa [2007] no.39"), Sichuan Yadong was granted a tax concession to pay corporate income tax at a preferential rate of 15% until 2010.

Pursuant to the relevant laws and regulations in the PRC, certain of Group's PRC subsidiaries were exempted from PRC EIT for two years starting from their first profit making year and followed by a 50% reduction on the PRC EIT for the next three years.

For the year ended 31 December 2010, the relevant tax rates for the Group's PRC subsidiaries ranged from 7.5% to 25% (2009: ranged from 7.5% to 25%).

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

No provision for Hong Kong Profits Tax and Singapore income tax has been made in the consolidated statement of comprehensive income as the Group had no assessable profit arising in these jurisdictions for both years.

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

	2010 **RMB'000**	2009 RMB'000
Profit before tax	**643,285**	696,290
Tax at the PRC EIT rate of 25% (2009: 25%)	**160,821**	174,073
Tax effect of expenses not deductible for tax purposes	**28,568**	12,641
Tax effect of different tax rate of subsidiaries	**195**	380
Tax effect of share of profit of jointly controlled entities	**(15)**	(237)
Tax effect of income not taxable for tax purposes	**–**	(1,568)
Effect of tax exemption/concession granted to PRC subsidiaries	**(70,329)**	(115,943)
Overprovision in prior year	**(2,710)**	(730)
Tax effect of tax loss not recognised	**424**	7,456
Utilisation and recognition of tax losses not previously recognised	**(7,457)**	(2,601)
Deferred tax on undistributed earnings of subsidiaries	**6,058**	7,533
Income tax expense for the year	**115,555**	81,004

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

Details of movements in deferred tax have been set out in note 34.

13. PROFIT FOR THE YEAR

	2010 RMB'000	2009 RMB'000
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	591,799	453,124
– Prepaid lease payments	12,121	9,722
– Quarry	8,322	4,215
– Intangible assets	4,264	–
	616,506	467,061
Auditor's remuneration	6,028	4,834
Staff costs, including directors' remuneration *(note 15(a))*		
Salaries and other benefits	222,423	182,943
Retirement benefits scheme contributions	12,618	9,595
Total staff costs	235,041	192,538
Loss on disposal of property, plant and equipment	2,497	623
Rental payments under operating leases	17,445	13,543

14. OTHER COMPREHENSIVE INCOME

	2010 RMB'000	2009 RMB'000
Other comprehensive income includes:		
Available-for-sale financial assets:		
Gain arising during the year	–	502
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal	–	(502)
Other comprehensive income	–	–

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15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2009: ten) directors are were as follows:

Year ended 31 December 2010

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Equity-settled share-based payment RMB'000	Total RMB'000
Mr. Hsu, Shu-tong	275	107	–	991	1,373
Mr. Chang, Tsai-hsiung	338	321	–	496	1,155
Madam Chiang, Shao Ruey-huey	285	115	–	132	532
Mr. Chang, Chen-kuen	321	1,439	–	132	1,892
Mr. Lin, Seng-chang	284	1,328	–	132	1,744
Mr. Wu, Chung-lih	292	1,136	–	132	1,560
Mr. Liu, Zhen-tao	209	–	–	–	209
Mr. Lei, Qian-zhi	209	–	–	–	209
Mr. Tsim, Tak-lung Dominic	209	–	–	–	209
Mr. Wong, Ying-ho Kennedy	209	–	–	–	209
	2,631	4,446	–	2,015	9,092

Year ended 31 December 2009

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

None of the directors waived any emoluments for both years.

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

For the years ended 31 December 2010 and 2009, the five highest paid individuals are the directors of the Company, whose emoluments are included in the disclosures in note (a) above.

16. DIVIDENDS

	2010 RMB'000	2009 RMB'000
Dividend recognised as distributions during the year:		
2009 Final, paid – RMB10 cents (2008: RMB10 cents) per share	**155,625**	155,625

A final dividend for the year ended 31 December 2010 of RMB10 cents per share (2009: RMB10 cents per share) amounting to approximately RMB155,625,000 (2009: RMB155,625,000) has been proposed by the Board of Directors after the end of the reporting period. The proposed final dividend for the current year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

17. EARNINGS PER SHARE

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

	2010 RMB'000	2009 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**510,873**	609,966
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,556,250**	1,556,250
Effect of dilutive potential ordinary shares:		
– share options	**–**	252
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,556,250**	1,556,502

The share options had no dilution effect on the earnings per share for the year ended 31 December 2010 as the average market price of the Company's share was lower than the exercise price of the options.

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18. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Trunks, loaders and motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2009	1,252,687	4,231,313	213,663	288,775	–	2,242,144	8,228,582
Additions	3,409	44,418	16,332	25,375	–	2,303,443	2,392,977
Disposals	–	(1,986)	(566)	(7,318)	–	–	(9,870)
Transfer	574,000	1,688,969	69,167	8,687	–	(2,340,823)	–
Reclassification	–	46,980	(40,761)	(6,219)	–	–	–
At 31 December 2009	1,830,096	6,009,694	257,835	309,300	–	2,204,764	10,611,689
Additions	4,208	23,631	9,256	17,159	1,307	1,491,778	1,547,339
Acquired on acquisition of a subsidiary *(note 21)*	88,600	142,786	464	1,782	–	–	233,632
Disposals	(824)	(16,487)	(2,771)	(12,309)	–	–	(32,391)
Transfer	759,892	2,472,613	21,856	58,262	–	(3,312,623)	–
At 31 December 2010	**2,681,972**	**8,632,237**	**286,640**	**374,194**	**1,307**	**383,919**	**12,360,269**
ACCUMULATED DEPRECIATION							
At 1 January 2009	148,530	955,588	97,946	118,261	–	–	1,320,325
Provided for the year	42,872	343,604	30,012	36,636	–	–	453,124
Eliminated on disposals	–	(707)	(484)	(4,721)	–	–	(5,912)
Reclassification	–	719	(265)	(454)	–	–	–
At 31 December 2009	191,402	1,299,204	127,209	149,722	–	–	1,767,537
Provided for the year	76,574	451,188	33,512	30,398	127	–	591,799
Eliminated on disposals	(120)	(8,416)	(2,555)	(9,303)	–	–	(20,394)
At 31 December 2010	**267,856**	**1,741,976**	**158,166**	**170,817**	**127**	**–**	**2,338,942**
CARRYING VALUES							
At 31 December 2010	**2,414,116**	**6,890,261**	**128,474**	**203,377**	**1,180**	**383,919**	**10,021,327**
At 31 December 2009	1,638,694	4,710,490	130,626	159,578	–	2,204,764	8,844,152

18. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

19. QUARRY

	RMB'000
COST	
At 1 January 2009	98,500
Additions	73,442
At 31 December 2009	171,942
Additions	83,172
At 31 December 2010	**255,114**
AMORTISATION	
At 1 January 2009	27,066
Provided for the year	4,215
At 31 December 2009	31,281
Provided for the year	8,322
At 31 December 2010	**39,603**
CARRYING VALUES	
At 31 December 2010	**215,511**
At 31 December 2009	140,661

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

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20. PREPAID LEASE PAYMENTS

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

Analysed for reporting purposes as:

	2010 RMB'000	2009 RMB'000
Non-current assets	548,729	392,470
Current assets	14,491	9,919
	563,220	402,389

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

At 31 December 2010, prepaid lease payments with carrying value of approximately RMB198,011,000 (2009: approximately RMB126,719,000) have yet to obtain the land use right certificates. The Group is currently in the processing of obtaining these land use right certificates.

21. ACQUISITION OF A SUBSIDIARY

On 12 July 2010, the Group acquired 70% equity interest in 武漢鑫淩雲水泥有限公司 Wuhan Xinlingyun Cement Co., Ltd ("Wuhan Xinlingyun") at a consideration of approximately RMB250,250,000. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was RMB138,759,000. Wuhan Xinlingyun is engaged in cement business and was acquired so as to continue the expansion of the Group's cement business. After the acquisition, Wuhan Xinlingyun was renamed as Wuhan Yaxin Cement Co., Ltd. ("Wuhan Yaxin").

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value RMB'000
Prepaid lease payments	43,200
Property, plant and equipment	233,632
Intangible assets	19,089
Inventories	25,684
Trade and other receivables	73,247
Cash and Bank	19,277
Borrowings	(81,000)
Trade and other payables	(157,865)
Deferred tax liabilities	(15,990)
	159,274

21. ACQUISITION OF A SUBSIDIARY (continued)

Goodwill arising on acquisition:

	RMB'000
Cash consideration	250,250
Plus: non-controlling interests (30% in Wuhan Xinlingyun)	47,783
Less: net assets acquired	(159,274)
Goodwill arising on acquisition	138,759

The non-controlling interests (30%) in Wuhan Xinlingyun recognised at the acquisition date was measured at their proportionate share of net asset acquired and amounted to RMB47,783,000.

Goodwill arose in the acquisition of Wuhan Xinlingyun because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Wuhan Xinlingyun. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

The gross contractual amounts receivables acquired amounted to RMB73,553,000 of which RMB306,000 was not expected to be collected at the acquisition date, hence the fair value of the receivables approximates RMB73,247,000.

Net cash outflow on acquisition of Wuhan Xinlingyun

	RMB'000
Total cash consideration	250,250
Less: cash and cash equivalent balances acquired	(19,277)
Less: consideration not yet paid included in other payables	(13,417)
	217,556

Included in the profit for the year is RMB15,907,000 attributable to the additional business generated by Wuhan Xinlingyun. Revenue for the year includes RMB171,465,000 generated from Wuhan Xinlingyun.

Had the acquisition been completed on 1 January 2010, total group revenue for the period would have been RMB5,846,000,000, and profit for the period would have been RMB513,471,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

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22. GOODWILL

	RMB'000
COST	
At 1 January 2009 and 31 December 2009	–
Arising on acquisition of a subsidiary *(note 21)*	138,759
At 31 December 2010	138,759

For the purposes of impairment testing, goodwill has been allocated to the individual cash generating unit (CGU), Wuhan Yaxin, a subsidiary in the cement segment (see note 21).

During the year ended 31 December 2010, management of the Group determines that there is no impairment of the above CGU containing goodwill.

The basis of the recoverable amount of the above CGU and its major underlying assumptions are summarised below:

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 10-year period which approximates to the number of years when stable cash inflows are expected by the management based on market situations, and discount rate of 10.93%. Cash flows beyond the 10-year period are extrapolated using a steady 2.8% growth rate. This growth rate is based on the cement industry growth forecasts and does not exceed the average long-term growth rate for the cement industry. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on Wuhan Yaxin's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Wuhan Yaxin to exceed the recoverable amount of Wuhan Yaxin.

23. OTHER INTANGIBLE ASSETS

	Backlog orders RMB'000	Customers relationship RMB'000	Software RMB'000	Total RMB'000
COST				
At 1 January 2009 and 31 December 2009	–	–	–	–
Additions	–	–	5,596	5,596
Acquired on acquisition of a subsidiary *(note 21)*	779	18,310	–	19,089
At 31 December 2010	**779**	**18,310**	**5,596**	**24,685**
ACCUMULATED AMORTISATION				
At 1 January 2009 and 31 December 2009	–	–	–	–
Provided for the year	(779)	(1,831)	(1,654)	(4,264)
At 31 December 2010	**(779)**	**(1,831)**	**(1,654)**	**(4,264)**
CARRYING VALUES				
At 31 December 2010	**–**	**16,479**	**3,942**	**20,421**
At 31 December 2009	–	–	–	–

The above items of other intangible assets are amortised on a straight-line basis at the following rates per annum:

Backlog Orders	$^{1}/_{2}$ year
Customers relationship	5 years
Software	3 years

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24. INTERESTS IN JOINTLY CONTROLLED ENTITIES

At 31 December 2010 and 2009, the Group had interests in the following unlisted jointly controlled entities:

Name of entity	Form of business structure	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group	Principal activities
武漢長亞航運有限公司 Wuhan Asia Marine Transport Corporation Ltd.	Sino-foreign equity joint venture	The PRC	50%	Provision of transportation services
成都亞鑫礦渣微粉有限公司 Chengdu Ya Xin Slag Micro Powder Co. Ltd.	Sino-foreign equity joint venture	The PRC	49%	Manufacture and sale of slag powder

	2010 RMB'000	2009 RMB'000
Investments in jointly controlled entities, at cost	37,426	37,426
Share of post-acquisition and other comprehensive income profits, net of dividends received	8,329	8,600
	45,755	46,026

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

	2010 RMB'000	2009 RMB'000
Current assets	40,420	40,459
Non-current assets	92,391	67,791
Current liabilities	(17,506)	(4,354)
Non-current liabilities	(22,790)	(10,790)
Income recognised in profit or loss	48,461	39,214
Expense recognised in profit or loss	(49,048)	(37,283)

25. INTEREST IN AN ASSOCIATE

	2010 RMB'000
Cost of investment in an unlisted associate	12,000
Share of post-acquisition profits and other comprehensive income	(247)
	11,753

As at 31 December 2010, the Group had interests in the following associate:

Name of entity	Form of entity	Principal place of establishment and operation	Class of shares held	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
				2010	2009	2010	2009	
湖北中建亞東混凝土有限公司 Hubei Zhongjian Yadong Concrete Company Limited ("Hubei Zhongjian")	Incorporated	The PRC	Ordinary	40%	–	40% *(Note)*	–	Production and sales of cement, concrete and raw materials

Note: The Group is able to exercise significant influence over Hubei Zhongjian because it has the power to appoint two out of the five directors of that company under the provisions stated in the Articles of Association of that company.

The summarised financial information in respect of the Group's associate is set out below:

	2010 RMB'000
Total assets	29,473
Total liabilities	(90)
Net assets	29,383
Group's share of net assets of associate	11,753

	2010 RMB'000
Revenue	–
Loss for the year	(618)
Other comprehensive income	–
Group's share of profits and other comprehensive income of associate for the year	(247)

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26. INVENTORIES

	2010 RMB'000	2009 RMB'000
Spare parts and ancillary materials	273,293	251,672
Raw materials	304,568	173,974
Work-in-progress	49,274	25,986
Finished goods	52,534	32,357
	679,669	483,989

27. TRADE AND OTHER RECEIVABLES

	2010 RMB'000	2009 RMB'000
Trade receivables	699,781	465,661
Less: accumulated allowance	(48,735)	(49,783)
	651,046	415,878
Bill receivables	999,734	409,997
Other receivables	24,763	19,054
Less: accumulated allowance	(2,332)	(2,332)
	22,431	16,722
	1,673,211	842,597
Advances to suppliers	104,728	123,027
Deposits	5,922	33,158
Prepayments	3,211	2,623
Value-added tax receivable	196,417	114,346
	1,983,489	1,115,751

The Group has a policy of allowing a credit period from 30 to 60 days for cement customers whereas longer credit term are occasionally allowed to certain selected customers with good credit histories. In addition, the Group's credit policy for concrete customers are generally after the completion of the construction by the buyers, which on average is about 180 to 365 days.

27. TRADE AND OTHER RECEIVABLES (continued)

The following is an aged analysis of trade and bill receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2010 RMB'000	2009 RMB'000
0–90 days	1,229,161	534,543
91–180 days	297,044	211,106
181–365 days	101,979	72,509
Over 365 days	22,596	7,717
	1,650,780	825,875

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

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limits by customer. Limits attributed to customers are reviewed once a year. Approximately 86% (2009: 81%) of the trade receivables as at 31 December 2010 are neither past due nor impaired. These receivables comprise principally receivables from customers with good credit quality.

Included in the Group's trade receivables balances are debtors with a carrying amount of approximately RMB51,014,000 (2009: approximately RMB39,046,000) which are past due at 31 December 2010 for which the Group has not provided for allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. These trade receivables which are past due but not impaired as at 31 December 2010 are aged over 180 days (2009: over 180 days).

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

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

	Other receivables		Trade receivables	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Balance at beginning of year	2,332	2,373	49,783	24,956
Additions	–	–	7,578	25,186
Reversal	–	(41)	(8,015)	(23)
Written off	–	–	(611)	(336)
Balance at end of year	2,332	2,332	48,735	49,783

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28. AMOUNTS DUE FROM (TO) RELATED COMPANIES

(a) Amounts due from a related company

	2010 RMB'000	2009 RMB'000
Amount due from an associate:		
Hubei Zhongjian (trade related)	980	–

The amount as at 31 December 2010 was unsecured, non-interest bearing and with a credit term of 30 days. The age of the amount is less than 90 days.

(b) Amounts due to related companies

	2010 RMB'000	2009 RMB'000
Amounts due to Jointly controlled entities (trade related):		
Wuhan Asia Marine Transport Corporation Ltd.	4,289	5,371
Chengdu Ya Xin Slag Micro Powder Co. Ltd.	1,651	740
	5,940	6,111

The amounts due to jointly controlled entities are unsecured, non-interest bearing and with a credit term of 30 days. The age of the amount was within 90 days (31 December 2009: 90 days).

29. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts were of non-trade nature. It was unsecured, non-interest bearing and repayable on demand.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	2010		2009	
	Assets HK$	Liabilities HK$	Assets HK$	Liabilities HK$
Foreign currency forward contract	–	–	130	–
Cross currency interest rate swaps	4,181	18,720	–	–
	4,181	18,720	130	–
Analysed as:				
Non-current	–	13,937	–	–
Current	4,181	4,783	130	–
	4,181	18,720	130	–

Year ended 31 December 2010

At 31 December 2010, the Group had several outstanding cross currency interest rate swap contracts to hedge the Group's foreign currency exposure on a US dollar denominated bank borrowings.

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

Notional amount	Swap rate	Maturity	Swaps
US$50,000,000	RMB/USD6.8262	18.3.2012	From LIBOR + 1.0% to 0% per annum
US$20,000,000	RMB/USD6.8264	25.3.2011	From LIBOR + 0.5% to –0.5% per annum
US$20,000,000	RMB/USD6.8264	25.3.2011	From –0.4% to LIBOR + 0.5% per annum

The fair values of cross currency interest rate swaps are 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.

Year ended 31 December 2009

At 31 December 2009, the Group had an outstanding forward contract with notional amount of approximately US$22,000,000 to hedge the Group's foreign currency exposure on a US dollars denominated bank borrowing with maturity date on 10 May 2010. The contract has been settled on maturity date.

Major terms of the foreign currency forward contract are as follows:

Notional amount	Maturity	Forward rate
Buy US Dollars 22,000,000	10.5.2010	RMB/USD6.805

The fair value of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

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31. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

The amounts comprise bank balances and cash with an original maturity of three months or less and restricted bank deposits. The restricted bank deposits and bank balances carry interest rates ranging from 0.01% to 2.25% (2009: 0.02% to 1.35%).

The restricted bank deposits and bank balances with fixed and floating interest rates amounting to approximately RMB76,493,000 (2009: approximately RMB442,873,000) and approximately RMB628,562,000 (2009: approximately RMB970,448,000), respectively.

Deposit amounting to RMB19,769,000 (2009: RMB82,340,000) have been pledged to secure short-term banking facilities granted to the Group and are therefore classified as current assets. The pledged bank deposits will be released upon release of banking facilities granted by the bank.

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

	2010 **RMB'000**	2009 RMB'000
Denominated in US dollars	**83,750**	464,342
Denominated in Hong Kong dollars	**1,866**	22,499
Denominated in Euros	**97**	2,760
Denominated in SGD	**825**	1,077

32. TRADE AND OTHER PAYABLES

	2010 RMB'000	2009 RMB'000
Trade payables	237,292	144,838
Bills payables	6,256	22,581
Accruals	72,440	70,754
Deposits	86,188	86,896
Value added tax payable	23,592	7,000
Construction cost payable	254,483	267,217
Payables to ex-shareholders of Wuhan Yaxin	84,209	–
Consideration payable for acquisition of a subsidiary *(note 21)*	13,417	–
Other payables	123,678	92,485
	901,555	691,771
Analysed for reporting purposes as:		
Non-current liabilities	15,000	18,000
Current liabilities	886,555	673,771
	901,555	691,771

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

	2010 RMB'000	2009 RMB'000
0 – 90 days	232,875	117,338
91 – 180 days	2,660	29,246
181 – 365 days	4,874	16,094
Over 365 days	3,139	4,741
	243,548	167,419

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

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33. BANK BORROWINGS

	2010 RMB'000	2009 RMB'000
Bank borrowings		
Secured	–	–
Unsecured	5,966,938	4,858,674
	5,966,938	4,858,674

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

	2010 RMB'000	2009 RMB'000
Denominated in US dollars	3,003,593	1,018,640
Denominated in Hong Kong dollars	37,100	38,389

The borrowings are repayable as follows:

	2010 RMB'000	2009 RMB'000
Within one year	1,244,228	947,155
In the second year	1,555,566	566,970
In the third year	854,705	981,101
In the fourth year	837,292	1,249,839
In the fifth year	1,000,147	620,659
After five years	475,000	492,950
	5,966,938	4,858,674
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(1,244,228)	(947,155)
Amounts due for settlement after 12 months	4,722,710	3,911,519

33. BANK BORROWINGS (continued)

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

	2010 Carrying amount RMB'000	**2010** Interest rates	2009 Carrying amount RMB'000	2009 Interest rates
Fixed-rate borrowings	**112,000**	**4.37% – 6.62%**	463,220	1.70% – 5.31%
Variable-rate borrowings	**5,854,938**	**90% to 100% of Benchmark Rate, or LIBOR plus margin of 0.5% to 1%**	4,395,454	90% to 100% of Benchmark Rate, or LIBOR plus margin of 0.5% to 1%

The interest rate which is also equal to the contracted interest rate in the Group's variable-rate bank borrowing ranges from 0.76% to 5.76% (2009: 0.88% to 7.05%) per annum. Interest is repriced quarterly.

34. DEFERRED TAX

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

	Fair values adjustment on assets acquired in business acquisition RMB'000	Interest capitalised as part of property, plant and equipment RMB'000	Impairment of trade and other receivables RMB'000	Tax loss RMB'000	Pre-operating expenses RMB'000	Undistributed earnings of subsidiaries RMB'000	Total RMB'000
At 1 January 2009	–	(4,527)	6,832	–	5,371	(4,817)	2,859
Withholding tax paid	–	–	–	–	–	4,910	4,910
Credit (charge) to profit or loss	–	413	6,199	628	(3,568)	(7,533)	(3,861)
At 31 December 2009	–	(4,114)	13,031	628	1,803	(7,440)	3,908
Acquired on acquisition of a subsidiary *(note 21)*	(15,990)	–	–	–	–	–	(15,990)
Withholding tax paid	–	–	–	–	–	8,137	8,137
Credit (charge) to profit or loss	1,320	294	(264)	1,775	(766)	(6,058)	(3,699)
At 31 December 2010	**(14,670)**	**(3,820)**	**12,767**	**2,403**	**1,037**	**(5,361)**	**(7,644)**

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34. DEFERRED TAX (continued)

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

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

	2010 **RMB'000**	2009 RMB'000
Deferred tax assets	**14,877**	14,029
Deferred tax liabilities	**(22,521)**	(10,121)
	(7,644)	3,908

At 31 December 2010, the Group has unused tax losses of approximately RMB11,304,000 (2009: approximately RMB32,336,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB9,612,000 (2009: RMB2,512,000) of such losses. No deferred tax asset has been recognised in respect of remaining approximately RMB1,692,000 (2009: approximately RMB29,824,000) due to the unpredictability of future profit stream. As at 31 December 2010, the tax losses of RMB1,020,000, RMB1,492,000, RMB7,096,000 and RMB1,696,000 will expire in 2012, 2013, 2014 and 2015, respectively. No deferred tax asset has been recognised in respect of such loss due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by Group's PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2010, deferred tax has been provided in respect of RMB118,225,000 (2009: RMB160,295,000) undistributed earnings of the Group's PRC subsidiaries. Deferred tax has not been provided in respect of the remaining temporary differences attributable to the undistributed earnings as the Group is in a position to control the quantum and timing of the distribution thereof, deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future. Deferred tax in respect of the undistributed earnings of the Group's jointly controlled entities in the PRC has not been provided as the amount involved is not significant.

As at 31 December 2010, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries and jointly controlled entities in respect of which deferred tax has not been provided for was approximately RMB1,319,469,000 (2009: RMB982,899,000) and RMB7,155,000 (2009: RMB6,567,000) respectively.

35. LONG TERM RECEIVABLES

	2010 RMB'000	2009 RMB'000
Receivables from		
瑞昌市人民政府 (the "Ruichang City Government") *(note a)*	**9,443**	10,161
武漢市新洲區人民政府 (the "Wuhan City Government") *(note b)*	**27,270**	26,177
彭州市人民政府 (the "Pengzhou City Government") *(note c)*	**29,401**	22,126
黃岡市人民政府 (the "Huanggang City Government") *(note d)*	**9,172**	8,718
揚州第二發電有限責任公司 (the "Yangzhou No. 2 Power Plant") (note e)	**18,804**	–
	94,090	67,182
Less: Amount due within one year	**(15,083)**	(11,030)
Amount due after one year	**79,007**	56,152

Notes:

a. From 2002 to 2005, Jiangxi Yadong, a subsidiary of the Company and the Ruichang City Government entered into various agreements. Pursuant to these agreements, Jiangxi Yadong advanced funds of RMB7.8 million to the Ruichang City Government from 2002 to 2005 to facilitate the transfer of a piece of land to Jiangxi Yadong for the construction of the second production line. In 2007, Jiangxi Yadong further advanced approximately RMB8.05 million to the Ruichang City Government in relation to the transfer of the said land and Jiangxi Yadong obtained the land use right of that piece of land. The RMB8.05 million advance made in 2007 had been adjusted to its initial fair value based on the discounted cash flows on the expected receivable amount using a discount rate of 1.01%. In May 2003, on behalf of Asia Continent Investment Holdings Pte., Ltd. (a subsidiary of the Company), Jiangxi Yadong made a payment of approximately RMB4 million to the Ruichang City Government for the acquisition of the 2% equity interests owned by 江西省建材集團公司 in Jiangxi Yadong. The proposed acquisition was subsequently turned down by the Ruichang City Government and approximately RMB2 million was returned to Jiangxi Yadong in 2005.

   As represented by the management, the advances of approximately RMB9.44 million (2009: approximately RMB10.16 million) are unsecured, non-interest bearing and repayable through the refund of certain taxes to be payable to the Ruichang City Government and offsetting of dividends payable by Jiangxi Yadong to its minority shareholder, 江西省建材集團公司 (an investment vehicle of the Ruichang City Government). The directors consider that these advances will be fully recoverable by 2017.

   Upon the completion of the global offering of the Company's shares in May 2008, Asia Cement has provided an indemnity in respect of any loss on the aforesaid receivables due from the Ruichang City Government approximately equal to RMB9.44 million (2009: approximately RMB10.16 million) which cannot be recovered by Jiangxi Yadong in accordance with the expected time as per above.

b. Hubei Yadong Cement Co., Ltd ("Hubei Yadong"), a subsidiary of the Company, and the Wuhan City Government entered into two agreements. Pursuant to the first agreement entered into in March 2006, Hubei Yadong advanced funds of approximately RMB8 million to the Wuhan City Government to facilitate the transfer of a piece of land to Hubei Yadong for the construction of its plant. The advance is unsecured, non-interest bearing and will be repayable in four equal annual installments commencing 31 December 2010. The first instalment amounted to RMB2 million was subsequently settled in January 2011.

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35. LONG TERM RECEIVABLES (continued)

Notes: (continued)

b. (continued)

In August 2007, in order to ensure that Hubei Yadong would have a reliable local source of electricity, Hubei Yadong entered into a second agreement with the Wuhan City Government pursuant to which Hubei Yadong committed to advance funds of approximately RMB20 million to the Wuhan City Government. Up to 31 December 2010, RMB19.4 million (2009: RMB18.5 million) was made to the Wuhan City Government. The advances are unsecured, non-interest bearing and will be repayable through refund of 50% of certain taxes to be paid to the Wuhan City Government upon the commencement of Hubei Yadong's cement production. The directors consider that the advance will be fully recoverable by 2015.

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

c. In March 2004, Oriental Industrial Holdings Pte., Ltd., a subsidiary of the Company and the immediate holding company of Sichuan Yadong, and Pengzhou City Government entered into an agreement in which both parties agreed to construct certain electricity supply facilities jointly in Sichuan. The advance of approximately RMB6.1 million as at 31 December 2010 (2009: approximately RMB6.6 million) represented the portion of the construction costs to be borned by the Pengzhou City Government.

In July 2006, Sichuan Yadong entered into another agreement with the Pengzhou City Government. Pursuant to the agreement, in order to ensure sufficient supply of lime stones to the factory of Sichuan Yadong, Sichuan Yadong borrowed RMB200 million from a bank to finance the construction of a belt for transporting the lime stones. The Pengzhou City Government is responsible for the reimbursement of the transportation costs incurred during the construction period of the belt and the interest expenses arising on the bank loan for up to a period of 2 years from the drawn down of the loan. The receivables are unsecured, interest free and repayable on demand. As at 31 December 2010, the receivables in respect of the transportation costs have been fully settled (2009: approximately RMB2.2 million) and the receivables regarding the interest expenses are approximately RMB3.3 million (2009: approximately RMB3.3 million), respectively.

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

In January 2010, Sichuan Yadong negotiated a revised payment plan with the Pengzhou City Government in respect of the receivables. Pursuant to the revised payment plan, the advances as at 31 December 2010 will be settled by installments of RMB5 million annually commencing from 2010.

In October 2010, Sichuan Yadong entered into another agreement with the Pengzhou City Government. Pursuant to the agreement, Sichuan Yadong advanced additional funds of RMB10 million (up to RMB30 million) to the Pengzhou City Government for compensating the citizens for re-location in the surrounding area of the construction land of its plant.

d. In January 2009, in order to ensure that Huanggang Yadong Cement Co., Ltd. ("Huanggang Yadong") has a reliable source of electricity, Huanggang Yadong entered into an agreement with the Huanggang City Government, pursuant to which Huanggang Yadong advanced RMB12 million to Huanggang City Government to facilitate the construction of power city lines. The amount is unsecured, non-interest bearing and will be repayable by ten equal annual instalments, upon the completion of the construction. The advance had been adjusted to its initial fair value based on the discounted cash flows on the expected receivable amount using a discount rate of 1.01%.

35. LONG TERM RECEIVABLES (continued)

Notes: (continued)

e. In June 2010, in order to secure the exclusive use of the extended port, Yangzhou Yadong Cement Co. Ltd. ("Yangzhou Yadong"), a subsidiary, has entered into agreement with a port lessor namely Yangzhou No. 2 Power plant, pursuant to which Yangzhou Yadong paid RMB20 million to facilitate the construction of an extended port during the year 2010. The advance is unsecured and non-interest bearing. According to the agreement, Yangzhou No.2 Power plant will repay the amount through the deduction of rental expenses incurred by Yangzhou Yadong in its port. The minimum rental charged by Yangzhou No. 2 Power plant will be RMB1.2 million, RMB2.1 million and RMB2.7 million in the first to third year respectively, and RMB3.0 million starting from the fourth year, representing the minimum usage of 40 tons, 70 tons, 90 tons and 100 tons respectively.

During the current year, RMB1.2 million has been repaid through offsetting the rental expenses and the balance as at 31 December 2010 is RMB18.8 million.

36. SHARE CAPITAL

	Number of shares	Amount RMB'000	Shown in the financial statements as HK$'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2009, 31 December 2009, and 31 December 2010	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2009, 31 December 2009, and 31 December 2010	1,556,250,000	155,625	139,549

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37. OPERATING LEASES

The Group as lessee

	2010 RMB'000	2009 RMB'000
Minimum lease payments paid/payable under operating lease during the year	17,445	13,543

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

	2010 RMB'000	2009 RMB'000
Within one year	10,298	5,689
In the second to fifth years inclusive	34,529	12,837
After five years	93,215	47,762
	138,042	66,288

Operating lease payments represent rental paid/payable by the Group for certain of its port facilities office premises and motor vehicles. Leases for office premises are negotiated for a terms ranging from 1 to 20 years over the terms of the leases. There are no operating lease commitments for motor vehicles and the rentals are based on actual usage.

The Group as lessor

Rental income earned was RMB864,000 and RMB3,470,000 for the year ended 31 December 2010 and 2009, respectively. The Group leases its motor vehicles under operating lease arrangement with no fixed lease term.

38. CAPITAL COMMITMENTS

	2010 RMB'000	2009 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment and land use rights contracted for but not provided in the consolidated financial statements	90,673	500,837

39. SHARE BASED PAYMENT TRANSACTIONS

(a) Pre-IPO Share Option Scheme

Equity-settled share option scheme:

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

39. SHARE BASED PAYMENT TRANSACTIONS (continued)

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

During the year ended 31 December 2008, options under the Pre-IPO Share Option Scheme with 11,578,000 shares, representing approximately 0.7% of the enlarged issued share capital of the Company as at 31 December 2008 were granted. The estimated fair value of the options at the date of grant is approximately HK$26,202,000 (equivalent to approximately RMB23,547,000). For the year ended 31 December 2010, no options have been granted under Pre-IPO Share Option Scheme.

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

Category of Grantee	Date of grant	Exercise price per share	Exercisable period	Vesting date	As at 31.12.2009 and 31.12.2010
Directors	17 April 2008	HK$4.2075	17.4.2009 – 16.4.2014	17.4.2009	2,013,000
			17.4.2010 – 16.4.2014	17.4.2010	2,013,000
			17.4.2011 – 16.4.2014	17.4.2011	2,074,000
					6,100,000
Employees under continuous employment contract	17 April 2008	HK$4.2075	17.4.2010 – 16.4.2014	17.4.2010	1,643,400
			17.4.2011 – 16.4.2014	17.4.2011	1,643,400
			17.4.2012 – 16.4.2014	17.4.2012	1,095,600
			17.4.2013 – 16.4.2014	17.4.2013	1,095,600
					5,478,000
					11,578,000

No options were exercised under Pre-IPO Share Option Scheme during the year ended 31 December 2010 and 2009.

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

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

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39. SHARE BASED PAYMENT TRANSACTIONS (continued)

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

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

The Group recognised the total expense of approximately RMB4,527,000 (2009: approximately RMB8,196,000) for the year in relation to share options granted by the Company.

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

(b) Share Option Scheme

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

As at 31 December 2010 and 2009, no option has been granted under the Share Option Scheme.

40. RETIREMENT BENEFITS SCHEME

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

The total cost charged to the consolidated statement of comprehensive income of approximately RMB12,618,000 (2009: approximately RMB9,595,000) represents contribution payable to the schemes by the Group in respect of the current accounting period. As at 31 December 2010, contributions of RMB250,000 (2009: RMB110,000) as at 31 December 2010 had not been paid over to the schemes.

41. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and in note 28, the Group had also entered into the following significant transactions with related parties during the year.

	2010 RMB'000	2009 RMB'000
Jointly controlled entities:		
Chengdu Ya Xin Slag Micro Powder Co. Ltd.		
– Purchase of goods	7,551	6,300
Wuhan Asia Marine Transport Corporation Ltd.		
– Transportation expenses	25,335	17,847
Associate:		
Hubei Zhongjian		
– Sales of goods	837	–

Compensation of key management personnel

The remuneration of directors were as follows:

	2010 RMB'000	2009 RMB'000
Short-term employee benefits	7,077	6,651
Equity-settled share based payment	2,015	4,610
Retirement benefits scheme contributions	–	–
	9,092	11,261

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

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42. GOVERNMENT GRANTS INCOME

	2010 RMB'000	2009 RMB'000
Incentive subsidies *(note a)*	**3,229**	7,030
Value-added tax refund *(note b)*	**13,533**	32,175
Others *(note c)*	**4**	12,035
	16,766	51,240

Notes:

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

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

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

43. SUBSIDIARIES

Name of subsidiaries	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2010	2009	Principal activities
Perfect Industrial Holdings Pte., Ltd.	22 May 1997	British Virgin Island ("BVI")	US$6,942,798	**100%**	100%	Investment holding
Oriental Industrial Holdings Pte., Ltd.	4 May 1994	Republic of Singapore ("Singapore")	S$749,259,840	**99.99%**	99.99%	Investment holding
Asia Continent Investment Holdings Pte., Ltd.	1 April 1995	Singapore	S$280,458,985	**99.99%**	99.99%	Investment holding
上海亞力水泥製品有限公司 Shanghai Ya Li Cement Products Co., Ltd. [2]	29 November 1995	PRC	US$15,000,000	**99.99%**	99.99%	Manufacture and sale of concrete

43. SUBSIDIARIES (continued)

Name of subsidiaries	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2010	2009	Principal activities
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd. [1]	9 October 1997	PRC	US$221,104,433	**94.99%**	94.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
武漢亞東水泥有限公司 Wuhan Ya Dong Cement Co., Ltd. [2]	29 November 1999	PRC	US$36,140,000	**99.99%**	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
江西亞利運輸有限公司 Jiangxi Ya Li Transport Co., Ltd. [1]	30 May 2000	PRC	RMB12,500,000	**97.39%**	97.39%	Provision of transportation services
上海亞福水泥製品有限公司 Shanghai Yafu Cement Products Co., Ltd. [1]	22 January 2003	PRC	RMB21,000,000	**99.99%**	99.99%	Manufacture and sale of concrete
亞東投資有限公司 Oriental Holding Co., Ltd. [2]	24 July 2003	PRC	US$72,907,000	**99.99%**	99.99%	Investment holding
南昌亞力水泥製品有限公司 Nanchang Yali Concrete Produce Ltd. [1]	9 December 2003	PRC	RMB60,000,000	**94.99%**	94.99%	Manufacture and sale of concrete
南昌亞東水泥有限公司 Nanchang Yadong Cement Co., Ltd. [1]	18 January 2004	PRC	RMB90,000,000	**72.49%**	72.49%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products

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43. SUBSIDIARIES (continued)

Name of subsidiaries	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2010	2009	Principal activities
湖北亞東水泥有限公司 Hubei Yadong Cement Co., Ltd. [2]	23 June 2005	PRC	US$154,800,000	99.99%	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川亞東水泥有限公司 Sichuan Yadong Cement Co., Ltd. [2]	29 November 2004	PRC	US$143,340,000	99.99%	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
成都亞力水泥製品有限公司 Chengdu Yali Cement Products Co., Ltd. [2]	10 December 2004	PRC	US$4,100,000	99.99%	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
黃岡亞東水泥有限公司 Huanggang Yadong Cement Co., Ltd. [1]	17 August 2006	PRC	US$66,170,000 [3]	99.99%	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
湖北亞利運輸有限公司 Hubei Ya Li Transport Co., Ltd. [2]	23 October 2006	PRC	RMB13,000,000	99.99%	99.99%	Provision of transportation services
四川亞利運輸有限公司 Sichuan Ya Li Transportation Co., Ltd. [2]	18 May 2006	PRC	US$3,500,000	99.99%	99.99%	Provision of transportation services
揚州亞東水泥有限公司 Yangzhou Ya Dong Cement Co., Ltd. [2]	31 July 2006	PRC	US$31,130,000	99.99%	99.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products

43. SUBSIDIARIES (continued)

Name of subsidiaries	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2010	2009	Principal activities
四川亞力水泥製品有限公司 Sichuan Yali Cement Products Co., Ltd. [2]	17 November 2005	PRC	US$3,300,000	99.99%	99.99%	Manufacture and sale of concrete
武漢亞力水泥製品有限公司 Wuhan Ya Li Cement Products Co., Ltd. [2]	28 December 2009	PRC	RMB60,000,000	99.99%	99.99%	Manufacture and sale of concrete
武漢亞鑫水泥有限公司 Wuhan Yaxin Cement Co, Ltd [2]	19 August 2003	PRC	RMB30,000,000	69.99%	–	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products

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

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

3. As at 31 December 2010, the paid up registered capital is US$20,499,990. Pursuant to the articles of association of Huanggang Yadong Cement Co., Ltd. ("Huanggang Yadong"), the registered capital shall be paid in full no later than two years after the grant of the business license. The business license of Huanggang Yadong was granted on 17 August 2006.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2006 RMB'000 *(note 1)*	2007 RMB'000 *(note 1)*	2008 RMB'000	2009 RMB'000	**2010 RMB'000**
Revenue	1,352,479	2,254,590	3,248,152	4,207,408	**5,707,320**
Profit before tax	86,264	347,175	467,007	696,290	**643,285**
Income tax expense	(18,462)	(39,878)	(28,606)	(81,004)	**(115,555)**
Profit for the year	67,802	307,297	438,401	615,286	**527,730**
Attributable to:					
Owners of the Company	65,243	246,200	410,717	609,966	**510,873**
Non-controlling interests	2,559	61,097	27,684	5,320	**16,857**
	67,802	307,297	438,401	615,286	**527,730**

ASSETS AND LIABILITIES

	At 31 December				
	2006 RMB'000 *(note 1)*	2007 RMB'000 *(note 1)*	2008 RMB'000	2009 RMB'000	**2010 RMB'000**
Total assets	5,983,651	7,129,547	10,950,060	12,659,536	**14,499,900**
Total liabilities	2,497,713	2,846,584	4,359,046	5,592,445	**7,010,111**
	3,485,938	4,282,963	6,591,014	7,067,091	**7,489,789**
Equity attributable to:					
Owners of the Company	3,274,642	3,843,685	6,471,621	6,934,158	**7,293,933**
Non-controlling interests	211,296	439,278	119,393	132,933	**195,856**
	3,485,938	4,282,963	6,591,014	7,067,091	**7,489,789**

Note:

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