

China Advanced Construction Materials Group, Inc
Form 10-K
September 28, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended June 30, 2009

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 333-141568

CHINA ADVANCED CONSTRUCTION MATERIALS GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other Jurisdiction of Incorporation or
Organization)

20-8468508
(I.R.S. Employer Identification No.)

1515 Broadway, 11th Floor
New York, NY
(Address of Principal Executive Offices)

10036
(zip code)

Registrant's telephone number, including area code: +86 10 82525361

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class
N/A

Name of Each Exchange On Which Registered
N/A

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, Par Value \$0.001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

As of September 18, 2009 there were 11,548,710 shares of the Registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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INTRODUCTORY NOTE

In this report, unless indicated otherwise, references to

- “China,” “Chinese” and “PRC,” are references to the People’s Republic of China;
- “BVI” are references to the British Virgin Islands
- “China Advanced,” “China-ACM,” “the Company,” “we,” “us,” or “our,” are references to the combined business of China Advanced Construction Materials, Group, Inc. and its wholly-owned subsidiaries, BVI-ACM and China-ACMH, as well as Xin Ao, but do not include the stockholders of China Advanced;
- “BVI-ACM” are references to Xin Ao Construction Materials, Inc.
- “China-ACMH” are references to Beijing Ao Hang Construction Materials Technology Co., Ltd.;
- “Xin Ao” are references to Beijing Xin Ao Concrete Co., Ltd.;
- “RMB” are references to the Renminbi, the legal currency of China; and
- “U.S. dollars,” “dollars” and “\$” refer to the legal currency of the United States.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. You can identify such forward-looking statements by terms such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “pro” “would” and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements include, among other things, statements relating to:

- our expectations regarding the market for our products and services;
- our expectations regarding the continued growth of the building materials market;
- our beliefs regarding the competitiveness of our services;
- our expectations regarding the expansion of our manufacturing operations;
- our expectations with respect to increased revenue growth and our ability to achieve profitability resulting from increases in our production volumes;
- our future business development, results of operations and financial condition; and
- competition from other building materials manufacturers.

Also, forward-looking statements represent our estimates and assumptions only as of the date of this report. You should read this report and the documents that we reference in this report, or that we filed as exhibits to the registration statement of which this report is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

PART I

Item 1. Business

Our Corporate Structure

We own all of the issued and outstanding capital stock of Xin Ao Construction Materials, Inc., or BVI-ACM, a British Virgin Islands corporation, which in turn owns 100% of the outstanding capital stock of Beijing Ao Hang Construction Materials Technology Co., Ltd., or China-ACMH, a company incorporated under the laws of China. On November 28, 2007, China-ACMH entered into a series of contractual agreements with Beijing Xin Ao Concrete Co., Ltd., or Xin Ao, a company incorporated under the laws of China, and its two shareholders, in which China-ACMH effectively took over management of the business activities of Xin Ao and has the right to appoint all executives and senior management and the members of the board of directors of Xin Ao. The contractual arrangements are comprised of a series of agreements, including an Exclusive Technical Consulting and Services Agreement and an Operating Agreement, through which China-ACMH has the right to advise, consult, manage and operate Xin Ao for an annual fee in the amount of Xin Ao's yearly net profits after tax. Additionally, Xin Ao's shareholders have pledged their rights, titles and equity interest in Xin Ao as security for China-ACMH to collect technical consulting and services fees provided to China-ACMH through an Equity Pledge Agreement. In order to further reinforce China-ACMH's rights to control and operate Xin Ao, Xin Ao's shareholders have granted China-ACMH the exclusive right and option to acquire all of their equity interests in Xin Ao through an Option Agreement.

The following chart reflects our organizational structure as of the date of this 10K.

Our Corporate History

China Advanced Construction Materials Group, Inc. was founded as an unincorporated business on September 1, 2005, under the name TJS Wood Flooring, Inc., and became a C corporate in the State of Delaware on February 15, 2007. On April 29, 2008, we changed our name to China Advanced Construction Materials Group, Inc. in connection with a reverse acquisition transaction with BVI-ACM as described below.

Background and History of BVI-ACM and China-ACMH

BVI-ACM was established on October 9, 2007, under the laws of British Virgin Islands. The majority shareholders of BVI-ACM are Chinese citizens who own 100% of Xin Ao, a limited liability company formed under laws of China. BVI-ACM was established as a “special purpose vehicle” for foreign fund raising for Xin Ao. China State Administration of Foreign Exchange, or SAFE, requires the owners of any Chinese companies to obtain SAFE's approval before establishing any offshore holding company structure for foreign financing as well as subsequent acquisition matter under the “Circular 106” in the PRC. On September 29, 2007, BVI-ACM was approved by local Chinese SAFE as a “special purpose vehicle” offshore company.

On November 23, 2007, BVI-ACM established a subsidiary, China-ACMH, in China as a wholly owned foreign limited liability company with registered capital of \$5 million.

BVI-ACM, through its 100% owned China-ACMH and its variable interest entity Xin Ao, is engaged in producing general ready-mixed concrete, customized mechanical refining concrete, and some other concrete-related products which are mainly sold in China.

Xin Ao, licensed by Beijing Administration of Industry & Commerce, PRC, was established on June 28, 2002 with an initial capital contribution of approximately \$3,630,000 (RMB30 million) and owned by Beijing Shang Di Xing Da Mixed Soil Ltd Co. (“Shang Di”) with 79% of ownership and Beijing Heng Xin Ao Tong Trading Ltd. (“Heng Xin”) with 21% of ownership. On September 17, 2004, Shang Di transferred its 79% ownership in Xin Ao to Beijing Boya Fangyuan Investment Management Co. (“Boya Fangyuan”) and Heng Xin transferred its 21% ownership to Beijing Jia Shi Long Teng Technology Development Co. (“Jia Shi Long Teng”). The transfers were approved at Xin Ao’s shareholder meeting.

On July 8, 2005, the Board of Directors of Xin Ao increased its registered capital from approximately \$3,630,000 (RMB30 million) to \$12,100,000 (RMB100 million) through the use of Xin Ao’s undistributed profits. The percentage of the shareholders did not change and the registered capital contributed by Boya Fangyuan had increased from approximately \$2.9 million (RMB23.7 million) to \$9.6 million (RMB79 million) and by Jia Shi Long Teng had increased from approximately \$762,300 (RMB6.3 million) to \$2.5 million (RMB21 million). On the same day, Xin Ao had an ownership change with Boya Fangyuan transferring 50% of its 79% ownership, which was approximately \$6.05 million (RMB50 million) of registered capital to Mr. Han Xianfu and Jia Shi Long Teng transferring 1% of its 21% interest to Mr. Han Xianfu. In December 2005, Jia Shi Long Teng transferred its remaining 20% ownership in Xin Ao to Boya Fangyuan. On August 27, 2007, Boya Fangyuan transferred its 9% to Mr. Han Xianfu and 40% to Mr. He Weili. Approximately \$1.2 million of Xin Ao’s registered capital remains unpaid by its shareholders as of June 30, 2009. Pursuant to applicable PRC rules and regulations, registered capital should be paid within two years after issuance of a business license. Failure to pay such registered capital could result in imposition of monetary fines or penalties as well as restriction or revocation of the business license, however Xin Ao has received no notice from any governmental entity of the imposition of any such penalties. Xin Ao plans to fund the remaining registered capital from its unrestricted retained earning in October 2009.

As discussed above, on November 28, 2007, China-ACMH entered a series of contractual arrangements with Xin Ao and its shareholders pursuant to which China-ACMH effectively assumes control over management of the business activities of Xin Ao and has the right to appoint all executives and senior management and the members of the board of directors of Xin Ao.

Through China-ACMH, BVI-ACM operates and controls Xin Ao. BVI-ACM used the contractual arrangements to acquire control of Xin Ao, instead of using a complete acquisition of Xin Ao’s assets or equity to make Xin Ao a wholly-owned subsidiary of BVI-ACM, because (i) new PRC laws effective as of September 8, 2006, governing share exchanges with foreign entities, make the consequences of such acquisitions uncertain and (ii) other than by share exchange transactions, PRC law requires Xin Ao to be acquired for cash, and BVI-ACM was not able to raise sufficient funds to pay the full appraised value for Xin Ao’s assets or shares as required under PRC law.

Acquisition of BVI-ACM and Related Financing

On April 29, 2008, we completed a reverse acquisition transaction with BVI-ACM whereby we issued to the stockholders of BVI-ACM 8,809,583 shares of our common stock in exchange for all of the issued and outstanding capital stock of BVI-ACM. BVI-ACM thereby became our wholly owned subsidiary and the former stockholders of BVI-ACM became our controlling stockholders.

Upon the closing of the reverse acquisition, Brandi Iannelli, our former President, Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer, and Chairman and Frank Iannelli, our former Secretary, Treasurer and Director resigned from their respective positions. Xianfu Han, Weili He and Xiangsheng “Norman” Xu were appointed to the board of directors at the closing of the reverse acquisition. In addition, our executive officers were replaced by the BVI-ACM executive officers upon the closing of the reverse acquisition as indicated in more detail below.

For accounting purposes, the share exchange transaction was treated as a reverse acquisition with BVI-ACM as the acquirer and TJS Wood Flooring, Inc. as the acquired party. When we refer in this report to business and financial information for periods prior to the consummation of the reverse acquisition, we are referring to the business and financial information of BVI-ACM on a consolidated basis unless the context suggests otherwise.

Thereafter on June 11, 2008, we completed a private placement pursuant to which we sold to 27 accredited investors 875,000 investment units, or Units, for a total of \$7,000,000 in gross proceeds. Each Unit consists of one share of the Company's Series A Convertible Preferred Stock, each share of which is convertible into four shares of our common stock, and a common stock purchase warrant for the purchase of two shares of our common stock at an exercise price equal to \$2.40 per share. After the payment of certain fees and expenses in connection with the private placement and after \$930,000 was placed into an escrow account pursuant to an agreement with the investors in the private placement, the net proceeds to the Company was \$5,223,291. The fees and expenses incurred in connection with the private placement amounted to an aggregate of \$846,709, which included placement agent fees of \$488,470 paid to Maxim Group LLC, dealer fees of 53,760 paid to Monarch Bay Associates, legal fees of \$158,583, consultant fees of \$110,103 paid to All Star Capital Inc., and other ancillary fees in connection with the private placement of \$35,523.

OUR BUSINESS

Overview

We are a producer of advanced ready mix concrete materials in China. We are committed to conducting our operations with an emphasis on the extensive use of recycled waste materials, the efficient production of our concrete materials with minimal energy usage, dust and air pollution, and innovative products, methods and practices.

We are able to meet the stringent environmental and technical needs of the Chinese construction market. The types of projects that we provide concrete for include large express railways, bridges, tunnels, skyscrapers, dams, and nuclear reactor infrastructure projects that many competitors are not able to produce due to technical difficulties, resource and information limitations. Recent projects for which we have acted as a leading concrete and structural materials provider include the new CCTV broadcasting site in Beijing, the Beijing-Tianjin Intercity Rail/Beijing South Railway Station, the Beijing Olympic Park Conference Center, Financial Street F2 Office Building, DongGuan Bridge Project, MaJuQiao Residential Project, US Embassy in Beijing, French Embassy in Beijing, Beijing Railway Control Center, and various national express railway projects all over the China.

Our Industry

According to Global Insight, a leading provider of global economic and financial intelligence, the global construction market will be slowed further in 2009 with an increase of less than 2% and some regional markets such as the North American market may even experience a decline of up to approximately 9%. The global construction market is expected to experience a slow recovery after 2011. Despite the global construction market problems, the Chinese construction market has been maintaining a double digit increase over the past 10 years, which makes it one of the most dynamic markets in the world.

China is among the world's largest construction materials producers, ranking first in the world's annual output of cement, flat glass, building ceramic and ceramic sanitary ware. According to the Industrial Ceramics, Vol. 27, February 2007, total revenues for the Chinese construction materials market in 2006 was approximately \$171.5 billion." and "[i]t is estimated that the total production value will reach \$294.8 billion by 2011, an average annual growth rate of 11.4%. (Industrial Ceramics, Vol. 27, February 2007," page 142). This information is publicly available at www.technagroup.it/sample_IC.pdf. According to the National Development and Reform Commission, or NDRC, profits by companies in the construction materials market in China during the first five months of 2009 were approximately \$6.16 billion, representing an increase of 13.7% over the same period in 2008. The "Year 2009 First Five Months Construction Material Industry Sector Analysis" is provided by the National Development and Reform Commission (NDRC). The Chinese version of this information is publicly available on NDRC's website at http://yxj.ndrc.gov.cn/gjyx/cyyxdt/t20090722_292050.htm.

Construction Demand in China

According to the evaluation by Research Institute of Investment, National Development and Research Commission, China's economic stimulus package, valued RMB 4 trillion, has had a material impact on the construction industry, contributing to a growth in the construction industry of approximately RMB 594 billion in 2009. According to data prepared by the National Bureau of Statistics of China, from January to April this year, urban fixed assets investment reached RMB3.7082 trillion, up 30.5 percent year by year. Driven by a series of policies on keeping growth and expanding domestic demand, we believe that the construction industry in China will continue to grow.

In November 2008, China launched a RMB 4 trillion (approximately US\$593 billion) fiscal stimulus package to bolster the economy. The stimulus package will be used to finance programs, over the next two years in 10 major

areas, such as low-income housing, rural infrastructure, water, electricity, transportation, the environment, technological innovation and rebuilding disaster struck areas. The economic stimulus package passed by China's State Council in November 2008 focuses on infrastructure projects such as new railways, roads, and airports. The country plans to double its investment in railways to about RMB 600 billion (approximately US \$87.8 billion) this year according to the Ministry of Railways. Part of the new funds will go to building 5,148 km of new lines, including five passenger-only high-speed lines this year. The ministry also plans to start 70 other new projects this year, which will cost RMB 1.5 trillion (approximately US \$219.6 billion) by the time they are finished. By 2012 China is expected to have 110,000 km of rail lines, including 13,000 km of passenger routes, of which, many will be high-speed railways allowing trains to run between 200 and 350 km an hour. Chinese version available at <http://www.concrete365.com/news/2009/7-20/H142630705.htm>).

The Chinese Construction industry accounted for approximately 20% of the nominal gross domestic product (GDP), contributing RMB 6,114 billion in 2008. China is expected to have the world's highest construction output growth rate in 2009 and the world's highest GDP growth rate in 2009. The government stimulus package has helped to fuel this growth in construction and infrastructure development. Concrete product producers will remain the largest market for cement in China, accounting for approximately 40% of all cement consumption in 2010. The government's continued efforts to modernize the country's infrastructure is exemplified by such massive projects as the South-North Water Diversion — designed to redirect water to the northern plains from Central and South China. This project, scheduled for completion in 2050, will result in annual cement consumption of over one million metric tons.

China accounts for half of all new building activity in the world and rapid expansion is expected to continue to 2030 as up to 400 million citizens are expected to move into urban areas.

China's Cement & Concrete Demand

In the past four months, the country's cement output rose 13 percent from the same period of 2008. The year to year growth was 3.1 percentage points larger than that of a year ago. "Demand for cement in China is forecast to rise 6.0 percent annually through 2012 to 1.8 billion metric tons. Growth will be driven by rising, but decelerating, construction expenditures in China. Further advances in cement manufacturing technology will also help stimulate sales by improving the quality of the product. Blended cements will account for about 90 percent of total sales in 2012, reflecting the versatility of these types across a range of construction applications, as well as their performance and/or price benefits over competitive cements. Regional cement markets reflect differences in construction expenditures, which in turn are driven by local trends in demographics, industrial output and economic activity. The Central-East is expected to remain the largest cement market in China through 2012, fueled by increases in regional construction expenditures. However, the cement markets in the Northwest and Southwest will grow at the fastest pace, benefiting from the government's Great Western Development strategy, which aims to promote investment in these areas. Consumption of cement in the Central- North is also expected to perform above the national average, supported by high levels of transportation infrastructure construction and booming urban markets in Beijing and Tianjin." (from Business Wire).

Residential and non-residential buildings in China are increasingly requiring much more concrete due to, among other reasons, the short supply of wood. China is currently the largest consumption market of cement worldwide at over \$200 billion annually. China's cement consumption amounted to approximately 44% of global demand in 2008 and will be greater than current combined consumption of India and the U.S. by 2010. According to the National Development and Reform Commission, companies in the construction materials market in China recognized a 92.6% increase in profits from 2005 to 2006. The government's continued efforts to modernize the country's infrastructure are exemplified by such projects as the South-North Water Diversion. At the present rate, it is presumed that China will continue to be an important player in the global construction materials marketplace for at least the next two decades.

As a result of the government stimulus package, the demand for cement & concrete is expected to be significantly increased in China in the following several years. For example, the concrete demand in 2009 is expected to reach approximately 1.5 billion tons.

Demand for Ready-Mixed Concrete

Construction contractors should continue to represent the largest market for cement, accounting for a estimated one-third of total demand in 2012. However, we believe that the ready-mix concrete market could exhibit the strongest growth in the cement industry, and could possible have near double-digit gains through 2012. Gains will benefit from government regulations banning on-site concrete and mortar mixing. Demand for cement used in concrete products will be driven by the increasing popularity of precast concrete with many construction contractors. In addition, the phase-out of clay bricks will heighten demand for concrete blocks. We anticipate that cement demand in the ready-mixed concrete market will realize the strongest gains of any market category through 2010, with an annual increase of 11.2%. Recognizing the environmental devastation created from the massive construction activities undertaken in the past few decades, China's government implemented Decree #341 in 2004 which bans onsite concrete production in over 200 major cities across China in order to reduce environmental damage from onsite cement mixing and improve the quality of concrete used in construction.

Our Competitive Strengths

We believe that the following competitive strengths enable us to compete effectively and to capitalize on the growth of the market for construction materials in China:

- **Large Scale Contractor Relationships.** We have contracts with major construction contractors that are constructing key infrastructure, commercial and residential projects. Our sales efforts focus on large-scale projects and large customers that place large recurring orders and present less credit risks to us. Five customers accounted for approximately 32.03 % and 41.49% of the Company's sales for the years ended June 30, 2009 and 2008, respectively. The total accounts receivable from these customers amounted to \$3,624,793 and \$3,584,879 as of June 30, 2009 and 2008.
- **Experienced Management.** Management's technological knowledge and business relationships gives us the ability to secure major infrastructure projects, which provides us with leverage to potentially acquire less sophisticated operators, increase production volumes, and implement quality standards and environmentally sensitive policies.

- Preferred Tax Treatment due to Recycled Materials. The Company's income tax rate has been reduced to 15% from 25% as a result of the Company's involvement in producing high-tech products. The Company has also been approved for a 6% value added tax (VAT) credit by the State Administration of Taxation. The total tax saving for the Company is over millions a year. Combining tax saving and growing economies of scale result in superior pricing and higher margins for the Company.
- Innovation Efforts. We strive to produce the most technically and scientifically advanced products to our customers and maintain close relationships with Tsinghua University, Xi'an University of Architecture and Technology and Beijing Dongfangjianyu Institute of Concrete Science & Technology which assist us with our research and development activities. As a result of our relationships with these universities and institute, we have realized an advantage over many of our competitors by gaining access to a wide array of resources and knowledge.

Our Growth Strategy

We are committed to enhancing profitability and cash flows through the following strategies:

- Capacity Expansion via Building New Plants. We added nine portable stations during the fiscal year 2009 in order to meet the requirements of existing contracts and anticipated demand. We plan to add more portable stations in 2010 and 2011 as part of our long-term expansion plans due to very attractive margins and high return on investment.
- Mergers and Acquisitions. We intend to capitalize on the challenges that smaller companies are encountering in our industry by acquiring complementary companies at favorable prices. We believe that buying rather than building capacity is an option that may be attractive to us if replacement costs are higher than purchase prices. We are currently looking into acquiring smaller concrete manufacturers in China as part of our expansion plans; further information will be reported when key details have been confirmed. No Letters-of-Intent have been entered into or specific targets identified at this time.
- Vertical Integration. We plan to acquire smaller companies within the construction industry, develop more material recycling centers, and hire additional highly qualified employees. In order to accomplish this, we may be required to offer additional equity or debt securities. Certain of the companies we may seek to acquire are suppliers of the raw materials we purchase to manufacture our products. If we do acquire such companies we will have greater control over our raw material costs.
- Supply Chain Efficiencies and Scale. We intend to streamline our supply chain process and leveraging our economies of scale.
- New Product Offering. We plan to produce a lightweight aggregate concrete for use in projects and to expand product offerings to include pre-cast concrete.

Our Operations

We provide materials and services through our network of seven ready-mixed concrete plants located throughout Beijing and nine portable concrete plants located in various provinces all over China. We own one plant, lease two

plants, and the remaining four are operated under technical services and preferred procurement agreements at unrelated third party facilities. We own all of the production equipment in one of the fixed plants located in Beijing, as well as 116 concrete mixers and 17 pump trucks at our plants, though we do not own the land use rights or the factory buildings, which we lease from the owner, Beijing SanTaiSan Chemical Trading & Logistics Co. At two of our plants in Beijing, we lease all of the production equipment, mixers, pump trucks and factory buildings from the plant owners. At the remaining four plants, which are independently operated, we perform work through technical services and preferred procurement agreements.

In fiscal 2009, we operated out of three fixed plants located in the Beijing area, which have operating capacity of 6,336,000 cubic meters and nine portable plants in various provinces, which have operating capacity of 3,360,000 cubic meters. We produced approximately 607,217 cubic meters and 877,194 cubic meters, respectively, of ready mix concrete as most operating capacity were added during the fourth quarter of fiscal 2009.

In fiscal 2009, we had nine portable plants supporting the build-out of China's national railway network. The portable plants can be dismantled and moved to new sites in less than a few weeks. The plants are currently located between railway stations and each of these plants is directly tied to contracts we have recently won and are expect to operate near capacity. Almost all our general contract contractors supply raw materials resulting in higher gross margins for the Company and reduce upfront capital investment on raw material purchase. The one time start up cost for each plant and associated equipment is approximately \$3 million. Each plant is capable of generating over \$2 million in revenue per year, with very attractive margins and high return on investment.

In fiscal year 2009, we also entered technical consulting and marketing cooperation agreements with several independently owned mixture stations, pursuant to which we are paid certain percentages of cost savings for technical support provided to clients and of sales price for projects we refer to other stations due to the restriction of our station's geographical location.

We have an extensive fleet of 116 concrete mixers, 17 pump trucks, and we have access to additional rental vehicles if needed for certain larger projects. Most vehicles are equipped with GPS and tracking devices from the plants central dispatch center in order to optimize capacity utilization, production and delivery schedules.

We are led by a well-rounded management team that, in only six years, has built a fast-growing, highly-profitable concrete company. Our success has been achieved by consistently delivering quality products and services backed by a team of dedicated managers and employees. Collectively, the management team has extensive experience in engineering, operations, construction materials and working in the concrete industry. Through the Company's extensive relationships with R&D institutions and industry associations, we have access to a large pool of experienced managers and knowledgeable advisors.

Products and Services

As architectural designs have become more complex, challenging, and modern in scope, the need for technology driven companies, such as us, to provide high-end specialty concrete mixtures has been rapidly accelerating. Increasing demand for state-of-the-art cement mixtures has spurred our technological innovation and our ability to provide advanced mixtures of building materials that meet project specific engineering and environmental specifications. We produce C15 to C100 range of concrete materials and specialize in an array of specialized ready-mixed concretes tailored to each project's technical specifications and environmental standards.

We specialize in "ready-mixed concrete", a concrete mixture made at our facility with complete computerized operating systems. Such concrete is the most common form of concrete, and accounts for nearly three-fourths of all concrete produced. Ready-mixed concrete is mixed on demand and is shipped to worksites by concrete mixer trucks.

The ready-mixed concrete sector in the concrete market is growing at a fast rate, largely due to the Chinese government's implementation of Decree #341 in 2004. This law bans on-site concrete production in over 200 cities across China, with the goal of reducing environmental damages from onsite cement mixing and improves the quality of cement used in construction. The use of ready-mix concrete minimizes worksite noise, dirt and congestion, and most additives used in ready-mix concrete are environmentally safe. Our goal is to continue to use at least 30% recyclable components in our concrete mixtures.

We are building a product portfolio that serves the diverse needs of our developing customer base and its unique construction and infrastructure projects. While we mainly specialize in ready-mix concrete formulations from controlled low-strength material to high-strength concrete, each specifically formulated to meet the individual needs of each project. We provide both industry standard and highly innovative products, including:

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Common Industry Mixtures (Customized to Project)

- Ready-mixed Concrete Blends: C10 to C100
- Controlled Low-Strength Material (CLSM)
- High-Strength Concrete with Customized Fibers
- Soil Cement, Unique Foundation Concrete

Industry Leading Mixtures Highly Technical Blends

- Compound Admixture Concrete
- Lightweight Aggregate Concrete
- Energy-saving Phase change thermostat concrete
- C100 High Performance Concrete

Our Customers

For fiscal year 2009 which ended on June 30, 2009, we had one customer, China Railway Construction, Beijing to Shanghai Branch, whose sales accounted for more than 9% of our total sales. Five customers accounted for approximately 32.03 % and 41.49% of the Company's sales for the years ended June 30, 2009 and 2008, respectively. The total accounts receivable from these customers amounted to \$3,624,793 and \$3,584,879 as of June 30, 2009 and 2008.

Developing New Relationships

Our sales strategy focuses on building new long-term cooperative relationships with some of China's top construction companies in order to benefit from their reputations and to enter new markets. Our sales representatives are actively building relationships with the Chinese government, general contractors, architects, engineers, and other potential sources of new business in our target markets. Our sales efforts are further supported by our executive officers and engineering personnel, who have substantial experience in the design, formulation and implementation of advanced construction and concrete materials projects.

Our Suppliers

We rely on third party suppliers of the raw materials to manufacture our products. Our top five suppliers accounted for approximately 43.90% of the Company's purchases for the year ended June 30, 2009, and our top five suppliers accounted for approximately 51.77 % of the Company's purchases for the year ended June 30, 2008. The total accounts payable to these suppliers amounted to \$2,551,604 and \$440,981 as of June 30, 2009 and 2008, respectively.

Sales and Marketing

Our marketing efforts are geared towards advancing China-ACMH as the supplier of choice for building China's most modern and challenging projects. The Company is constantly seeking ways to raise its profile and leverage additional publicity. To this end, the Company plans to expand its presence at leading construction industry events and in periodicals to build on its successful reputation. The primary goal when expanding into new markets is to reinforce the sales effort by promoting positive testimonials and success stories from the Company's strong base of high profile clients.

Research and Development

Construction materials companies are under extreme pressure to respond quickly to industry demands with new designs and product innovations that support rapidly changing technical demand and regulatory requirements. We devote a substantial amount of attention to the research and development of advanced construction materials that meet the demands of project specific needs while striving to lead the industry in value, materials and processes. We have sophisticated in house R&D and testing facilities, a highly technical onsite team, access to highly specialized market research, cooperation with a leading research institution, experienced management and advisory board, and close relationships with leading concrete materials experts. We expect our research development expense will increase in the fiscal year 2010.

University Relationships & Cooperation Agreements

We have strong relationships with Tsinghua University and the Xi'an University of Architecture and Technology. We have signed a ten-year cooperation agreement with Xi'an University on June 10, 2007 pursuant to which we expect to pay approximately \$42,857 to Xi'an University per year and Xi'an University will set up a technical research center to conduct scientific research for the Company and work with the Company in the areas of technical development, engineering design and human resource training according to the Company's business strategies and requirements. Xi'an University is a top university in the fields of building and material science research and education and works with the Company to follow the advancements of the cement and concrete industries globally.

Beijing Concrete Institute Partnership

The Beijing Dongfang Jianyu Institute of Concrete Science & Technology, or Beijing Concrete Institute, has 40 employees, with five senior research fellows, and 15 mid-level researchers. The Institute and its staff have participated and collaborated with national and local government agencies to establish the following industry standards:

- Specification For Mix Proportion Design of Ordinary Concrete JGJ55-2000
- Code for Acceptance of Constructional Quality Of Concrete Structures GB 50204-2002
- Applied Technical Specification of Mineral Admixtures In Concrete DBJ/T01-64-2002
- Ready-Mixed Concrete GB/T 14902-2003
- Practice Code for Application of Ready-Mixed Mortar DBJ 01-99-2005
- Management Specification of Quality for Ready-Mixed Concrete

- Technical Requirement for Environmental Labeling Products Ready-Mixed Concrete HJ/T412-2007

We have a close association with the Beijing Concrete Institute and have been able to incorporate many of these research findings into our operations, products, and procedures. The Beijing Concrete Institute was established by our Chairman and Vice Chairman, which currently maintain majority ownership. As such, we work closely with the institute and, in return for sponsoring multiple research initiatives, have been granted exclusive work space for the development of the materials used for our existing plant's regional projects.

We are able to use the Research Findings & Technical Publication and Procedures of the Beijing Concrete Institute in our business, which provides us with an advantage over many of our competitors. Because our five year exclusive contract with the institute, our competitors are unable to benefit from the same findings for commercial use. Some of these findings include:

- Research on Compound Admixture HPC; 3rd Class Award for China Building Materials Science & Technology Progress.
- Research and Application of C100 HPC; 3rd Class Award for Beijing Science & Technology Progress.
- Research on pumping Light Aggregate Concrete; Innovation Award for China Building Materials Science & Technology.
- Research and Application of Green (nontoxic) HPC; First Prize for Beijing Science & Technology Progress.
- Construction Technology of HPC for the Capital International Airport
- Research on Production and Construction Technology of Phase Change Energy-saving Thermostat Concrete and Mortar
- Polycarboxylate Series High Performance Water Reducing Agent Compositing Technique
- State Swimming Center for Concrete Cracking Control Technology

In addition, we are able to collaborate closely with the institute and its executives who play a strong role recommending industry standards, advising on major infrastructure developments, and creating and maintaining strong connections with leading developers, construction companies, and governmental officials.

Successful Innovations

Some of our more advanced products and processes developed through our relationships with research institutes and universities include:

C100 High Performance Concrete

High Strength Concrete is often defined as concrete with a compressive strength greater than 6000 psi (41 MPa). The primary difference between high-strength concrete and normal-strength concrete relates to the compressive strength that refers to the maximum resistance of a concrete sample to applied pressure. Manufacturing high-strength concrete

involves making optimal use of the basic ingredients that constitute normal-strength concrete.

Through our collaborative efforts, we have developed a high performance concrete which can be produced at an impermeable grade above P35, and can be used as self-waterproofing concrete for structural engineering, as the water-cement (W/C) ratio and carbonized shrinking is minimal and the structure is close-grained.

Only a limited number of firms in the Beijing area have the expertise to produce C100 High Performance Concrete.

Compound Admixture Concrete

This compound mineral mixture is a composite of coal powder, mineral powder and mineral activators blended to specific proportions. This mixture improves activity, filling, and super-additive effects of the concrete and also improves the compatibility between cement and adding. The mixture is the sixth composite of the concrete which adds water reducing admixture to produce a high quality concrete.

Lightweight Aggregate Concrete & Innovative Pumping Technology

This procedure involves a pumping technology of lightweight aggregate. It is a pretreatment method of lightweight aggregate. Setting appropriate times and pressure, lightweight aggregate will reach an appropriate saturation state under pressure once it is put into a custom designed sealed pressure vessel. After preservation, a shell will be made. Lightweight aggregate concrete prepared using the above pretreatment method, will dry quicker under pumping pressure, and maintain saturation state. Accordingly, lightweight aggregate concrete will be easily pumped which can shorten construction time.

Energy-saving Technologies of Phase Change Thermostat Concrete

Energy conservation concrete may adjust and reflect process temperature, and temperature self-control may solve cracking brought by cement heat of hydration in large-scale concrete.

Polycarboxylate Series High Performance Water Reducing Agent Compositing Technique

The research and production of water reducing admixture in the world tends to be high performance and low polluting. Super plasticizer Polycarboxylate series with high water reducing rates is an attractive admixture in that it prepares high strength concrete, super-strength concrete, high fluidity and super plasticizer concrete, and self-dense concrete. The water reducing rate of Polycarboxylate series product may reach 20% to 25%, which is higher than the Naphthalene series water reducing agent, which is the current industry standard. The cost of the water reducing agent is well situated and it may be used to prepare high strength and performance concrete instead of the Naphthalene series water reducing agent.

Application of Reused Water in Concrete

The re-use of waste water of a concrete plant to mix concrete is significant as it saves production costs, minimizes fresh water use and represents an efficient approach to address industrial wastes. The practical application of this effort is a further step towards the goal of minimal pollution and emissions.

Our Competition

Our principal market, Beijing, has enjoyed stronger economic growth and a higher demand for construction than other regions of China. As a result, we believe that competitors will try to expand their sales and build up their distribution networks in our principal market.

We compete primarily on the basis of quality, technological innovation and price. Our main competitors include Jiangong Shanggong Center, Jingo Group Concrete, Zhuzong Shanggong Center and Zhonghang Konggang Concrete.

Essentially all of the contracts on which we bid are awarded through a competitive bid process, with awards generally being made to the lowest bidder, though other factors such as shorter contract schedules or prior experience with the customer are often just as important. Within our markets, we compete with many national, regional and local construction firms. Some of these competitors have achieved greater market penetration or have greater financial and other resources than us.

There are approximately 127 concrete mixture stations in the Beijing area. The concrete production industry is highly segmented, with no single supplier having greater than a 10% market share.

Intellectual Property

We currently own the following intellectual property rights:

C100 High Performance Concrete: Patent #2007102011320

Compound mineral mixture with: Patent #200710107881.7

Pressurized light aggregate pre-wetted equipment: Patent #ZL200720200683.0

Environmental Matters

We are required to comply with environmental protection laws and regulations promulgated by the Ministry of Construction and the State Environmental Protection Administration. Some specific environmental regulations apply to sealed transportation of dust materials and final products, non-open storage of sand and gravel, as well as reduction of noise and dust pollution on production site and encouraged use of waste materials. The governmental regulatory authorities conduct periodic inspections. We have met all the requirements in the past inspections. We are one of ten companies in the industry that have been awarded the honor of “Green Concrete Producer” by the PRC government.

Regulation

The company has been in compliance with all registrations and requirements for the issuance and maintenance of all licenses and certificates required by the applicable governing authorities, including the Ministry of Construction and the Beijing Administration of Industry & Commerce. The Ministry of Construction awards Level II and Level III qualifications to concrete producers in the PRC construction industry, based on criteria such as production capacity, technical qualification, registered capital and capital equipment, as well as performance on past projects. Level II companies are licensed to produce concrete of all strength levels as well as special concrete, and Level III producers are licensed to produce concrete with strength level C60 and below. We are a Level II concrete producer.

Additionally, to make improvements at our currently existing plants, we do not need to apply for regulatory approval. However, in order to build a new concrete plant, we will need to (i) apply for a business license from the local Administration of Industry and Commerce, (ii) receive environmental approval from the local Environmental Protection Bureau in the relevant district area, and (iii) apply for an Industry Qualification Certificate from the local Municipal Construction Committee. The time estimated to receive each of these approvals is approximately one month. We are quite confident that we can receive these approvals. In the past, we have not been rejected by any of these three regulators for approval.

Our Employees

As of June 30, 2009, we employed 758 full-time employees. The following table sets forth the number of our full-time employees by function as of June 30, 2009

Functions	As of June 30, 2009	
Management & Administrative Staff	122	16%
Sales	53	7%
Technical & Engineering Staff	53	7%
Production Staff	152	20%
Equipment & Maintenance	44	6%
Drivers & Heavy Equipment Operators	334	44%
Total	758	100%

As required by applicable PRC law, we have entered into employment contracts with all of our officers, managers and employees. We believe that we maintain a satisfactory working relationship with our employees and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations.

In addition, we are required by PRC law to cover employees in China with various types of social insurance and believe that we are in material compliance with the relevant PRC laws.

Insurance

We believe our insurance coverage is customary and standard of companies of comparable size in comparable industries in China.

REPORTS TO SECURITY HOLDERS

We are required to file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission and our filings are available to the public over the internet at the Securities and Exchange Commission's website at <http://www.sec.gov>. The public may read and copy any materials filed by us with the Securities and Exchange Commission at the Securities and Exchange Commission's Public Reference Room at 100 F Street N.E. Washington D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-732-0330. The SEC also maintains an Internet site that contains reports, proxy and formation statements, and other information regarding issuers that file electronically with the SEC, at <http://www.sec.gov>.

Item 1A. Risk Factors

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this report, before making an investment decision. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS

Our plans to build additional plants and to improve and upgrade our internal control and management system will require capital expenditures in fiscal year 2010.

Our plans to build additional plants and to improve and upgrade our internal control and management system will require significant capital expenditures in fiscal year 2010. We may also need further funding for working capital, investments, potential acquisitions and joint ventures and other corporate requirements. We cannot assure you that cash generated from our operations will be sufficient to fund these development plans, or that our actual capital expenditures and investments will not significantly exceed our current planned amounts. If either of these conditions arises, we may have to seek external financing to satisfy our capital needs. Our ability to obtain external financing at reasonable costs is subject to a variety of uncertainties. Failure to obtain sufficient external funds for our development plans could adversely affect our business, financial condition and operating performance.

Five customer orders consisted of 32.03% of the net sales of the Company for the fiscal year ended June 30, 2009, and the loss of any of these three customers can result in a depressive effect on our net profit.

Our Company focuses on large projects for large Chinese customers. Five customers accounted for approximately 32.03 % and 41.49% of the Company's sales for the years ended June 30, 2009 and 2008, respectively. The total accounts receivable from these customers amounted to \$3,624,793 and \$3,584,879 as of June 30, 2009 and 2008. Should we lose any of these customers in the future and are unable to obtain additional customers, our revenues will decrease.

We may experience major accidents in the course of our operations, which may cause significant property damage and personal injuries.

Significant industry-related accidents and natural disasters may cause interruptions to various parts of our operations, or could result in property or environmental damage, increase in operating expenses or loss of revenue. The occurrence of such accidents and the resulting consequences may not be covered adequately, or at all, by the insurance policies we carry. In accordance with customary practice in China, we do not carry any business interruption insurance or third party liability insurance for personal injury or environmental damage arising from accidents on our property or relating to our operations other than our automobiles. Losses or payments incurred may have a material adverse effect on our operating performance if such losses or payments are not fully insured.

Our planned expansion and technical improvement projects could be delayed or adversely affected by, among other things, failures to receive regulatory approvals, difficulties in obtaining sufficient financing, technical difficulties, or human or other resource constraints.

We intend to expand new production facilities during the next few years. The costs projected for our planned expansion and technical improvement projects and expansion may exceed those originally contemplated. Cost savings and other economic benefits expected from these projects may not materialize as a result of any such project delays, cost overruns or changes in market circumstances.

To make improvement at our currently existing plants, we do not need to apply for regulatory approval. However, in order to build a new concrete plant, we will need to (i) apply for a business license from the local Administration of Industry and Commerce, (ii) apply for an Industry Qualification Certificate from the local Municipal Construction Committee, and (iii) receive environmental approval from the local Environmental Protection Bureau in the relevant district area. There is no guarantee that we will be able to obtain these regulatory approvals in a timely manner or at all.

Additionally, in order to construct a new concrete plant, we will need to apply for a short term loan from a local commercial bank to be used for working capital. Because the lending policies of the local commercial banks are subject to change, there is no guarantee that we will be able to obtain approval for such a loan with conditions favorable to us in a timely manner or at all.

Failure to obtain intended economic benefits from these new plants and technical improvements projects, either due to cost overruns, our failure to obtain the necessary regulatory approvals or our failure to obtain necessary loan financing on terms favorable to us could adversely affect our business, financial condition and operating performances.

We cannot assure you that our growth strategy will be successful.

One of our strategies is to grow through increasing the distribution and sales of our products by penetrating existing markets in China and entering new geographic markets in China. However, many obstacles to entering such new markets exist including, but not limited to, competition from established companies in such existing markets in the China. We cannot, therefore, assure you that we will be able to successfully overcome such obstacles and establish our products in any additional markets. Our inability to implement this growth strategy successfully may have a negative impact on our growth, future financial condition, results of operations or cash flows.

If we fail to effectively manage our growth and expand our operations, our business, financial condition, results of operations and prospects could be adversely affected.

Our future success depends on our ability to expand our business to address growth in demand for our products and services. In order to maximize potential growth in our current and potential markets, we believe that we must expand our manufacturing and marketing operations. Our ability to accomplish these goals is subject to significant risks and uncertainties, including:

- the need for additional funding to construct additional manufacturing facilities, which we may be unable to obtain on reasonable terms or at all;
- delays and cost overruns as a result of a number of factors, many of which may be beyond our control, such as problems with equipment vendors and manufacturing services provided by third-party manufacturers or subcontractors;
- our receipt of any necessary government approvals or permits that may be required to expand our operations in a timely manner or at all;
- diversion of significant management attention and other resources; and
- failure to execute our expansion plan effectively.

To accommodate our growth, we will need to implement a variety of new and upgraded operational and financial systems, procedures, and controls, including improvements to our accounting and other internal management systems, by dedicating additional resources to our reporting and accounting function, and improvements to our record keeping and contract tracking system. We will also need to recruit more personnel and train and manage our growing employee base. Furthermore, our management will be required to maintain and expand our relationships with our existing customers and find new customers for our services. There is no guarantee that our management can succeed in maintaining and expanding these relationships.

If we encounter any of the risks described above, or if we are otherwise unable to establish or successfully operate additional capacity or increase our output, we may be unable to grow our business and revenues, reduce our operating costs, maintain our competitiveness or improve our profitability and, consequently, our business, financial condition, results of operations, and prospects will be adversely affected.

If we are unable to accurately estimate the overall risks or costs associated with a project on which we are bidding on, we may achieve a profit lower than anticipated or even incur a loss on the contract.

Substantially all of our revenues and contract backlog are typically derived from fixed unit price contracts. Fixed unit price contracts require us to perform the contract for a fixed unit price irrespective of our actual costs. As a result, we realize a profit on these contracts only if we successfully estimate our costs and then successfully control actual costs and avoid cost overruns. If our cost estimates for a contract are inaccurate, or if we do not execute the contract within our cost estimates, then cost overruns may cause the contract not to be as profitable as we expected, or may cause us to incur losses. This, in turn, could negatively affect our cash flow, earnings and financial position.

The costs incurred and gross profit realized on those contracts can vary, sometimes substantially, from the original projections due to a variety of factors, including, but not limited to:

- onsite conditions that differ from those assumed in the original bid;

- delays caused by weather conditions;
- later contract start dates than expected when we bid the contract;
- contract modifications creating unanticipated costs not covered by change orders;
- changes in availability, proximity and costs of materials, including steel, concrete, aggregate and other construction materials (such as stone, gravel and sand), as well as fuel and lubricants for our equipment;

- availability and skill level of workers in the geographic location of a project;
- our suppliers' or subcontractors' failure to perform;
- fraud or theft committed by our employees;
- mechanical problems with our machinery or equipment;
- citations issued by governmental authorities
- difficulties in obtaining required governmental permits or approvals;
- changes in applicable laws and regulations; and
- claims or demands from third parties alleging damages arising from our work or from the project of which our work is part.

Economic downturns or reductions in government funding of infrastructure projects could significantly reduce our revenues.

Our business is highly dependent on the amount of infrastructure work funded by various governmental entities, which, in turn, depends on the overall condition of the economy, the need for new or replacement infrastructure, the priorities placed on various projects funded by governmental entities and national or local government spending levels. Decreases in government funding of infrastructure projects could decrease the number of civil construction contracts available and limit our ability to obtain new contracts, which could reduce our revenues and profits.

Our business will be damaged if project contracts with the Chinese government, for which we may act as a sub-contractor are cancelled;

We do not enter into any contracts directly with the Chinese government. For contracts that are funded by the Chinese government, we place bids and enter into subcontracts with the private entity prime contractor. A sudden cancellation of a prime contract, and in turn our subcontract, could cause our equipment and work crews to remain idle for a significant period of time until other comparable work becomes available. This idle time could have a material adverse effect on our business and results of operations.

Our industry is highly competitive, with numerous larger companies with greater resources competing with us, and our failure to compete effectively could reduce the number of new contracts awarded to us or adversely affect our margins on contracts awarded.

Our competition includes a number of PRC-based manufacturers and distributors that produce and sell products similar to ours. We compete primarily on the basis of quality, technological innovation and price. Our main competitors include Jiangong Shanggong Center, Jinyu Group Concrete, Zhuzong Shanggong Center and Zhonghang Konggang Concrete. Essentially all of the contracts on which we bid are awarded through a competitive bid process, with awards generally being made to the lowest bidder, though other factors such as shorter contract schedules or prior experience with the customer are often just as important. Within our markets, we compete with many national, regional and local construction firms. Some of these competitors have achieved greater market penetration or have greater financial and other resources than us. In addition, there are a number of larger national companies in our industry that could potentially establish a presence in our markets and compete with us for contracts. As a result, we may need to accept lower contract margins in order to compete against these competitors. If we are unable to compete

successfully in our markets, our relative market share and profits could be reduced.

We could face increased competition in our principal market.

Our principal market, Beijing, has enjoyed stronger economic growth and a higher demand for construction than other regions of China. As a result, we believe that competitors will try to expand their sales and build up their distribution networks in our principal market. We anticipate that this trend will continue and likely accelerate. Increased competition may have a material adverse effect on our financial condition and results of operations.

Our dependence on subcontractors and suppliers of materials could increase our costs and impair our ability to compete on contracts on a timely basis or at all, which would adversely affect our profits and cash flow.

We rely on third-party subcontractors to perform some of the work on many of our contracts. We do not bid on contracts unless we have the necessary subcontractors committed for the anticipated scope of the contract and at prices that we have included in our bid. Therefore, to the extent that we cannot obtain third-party subcontractors, our profits and cash flow will suffer.

Our planned expansion and technical improvement projects could be delayed or adversely affected by, among other things, failures to receive regulatory approvals, difficulties in obtaining sufficient financing, technical difficulties, or human or other resource constraints.

We intend to build up to three new production facilities during the next two years. The costs projected for our planned expansion and technical improvement projects and expansion may exceed those originally contemplated. Costs savings and other economic benefits expected from these projects may not materialize as a result of any such project delays, cost overruns or changes in market circumstances.

To make improvement at our currently existing plants, we do not need to apply for regulatory approval. However, in order to build a new concrete plant, we will need to (i) apply for a business license from the local Administration of Industry and Commerce, (ii) apply for an Industry Qualification Certificate from the local Municipal Construction Committee, and (iii) receive environmental approval from the local Environmental Protection Bureau in the relevant district area. There is no guarantee that we will be able to obtain these regulatory approvals in a timely manner or at all.

Additionally, in order to construct a new concrete plant, we will need to apply for a short term loan from a local commercial bank to be used for working capital. Because the lending policies of the local commercial banks are subject to change, there is no guarantee that we will be able to obtain approval for such a loan with conditions favorable to us in a timely manner or at all.

Failure to obtain intended economic benefits from these new plants and technical improvements projects, either due to cost overruns, our failure to obtain the necessary regulatory approvals or our failure to obtain necessary loan financing on terms favorable to us could adversely affect our business, financial condition and operating performances.

We may be exposed to liabilities under the Foreign Corrupt Practices Act, and any determination that we violated the Foreign Corrupt Practices Act could have a material adverse effect on our business.

We are subject to the Foreign Corrupt Practice Act, or FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. persons and issuers as defined by the statute for the purpose of obtaining or retaining business. We have operations, agreements with third parties and make sales in China, which may experience corruption. Our activities in China create the risk of unauthorized payments or offers of payments by one of the employees, consultants, sales agents or distributors of our Company, even though these parties are not always subject to our control. It is our policy to implement safeguards to discourage these practices by our employees. However, our existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants, sales agents or distributors of our Company may engage in conduct for which we might be held responsible. Violations of the FCPA may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the government may seek to hold our Company liable for successor liability FCPA violations committed by companies in which we invest or that we acquire.

We depend heavily on key personnel, and turnover of key employees and senior management could harm our business.

Our future business and results of operations depend in significant part upon the continued contributions of our key technical and senior management personnel, including Xianfu Han, our Chairman and Chief Executive Officer and Weili He, our Vice-Chairman and Chief Operating Officer. They also depend in significant part upon our ability to attract and retain additional qualified management, technical, operational and support personnel for our operations. If we lose a key employee, if a key employee fails to perform in his or her current position, or if we are not able to

attract and retain skilled employees as needed, our business could suffer. Significant turnover in our senior management could significantly deplete the institutional knowledge held by our existing senior management team. We depend on the skills and abilities of these key employees in managing the reclamation, technical, and marketing aspects of our business, any part of which could be harmed by turnover in the future.

Certain of our existing stockholders have substantial influence over our company, and their interests may not be aligned with the interests of our other stockholders.

Our Chairman, Xianfu Han, owns approximately 37.76% of our outstanding voting securities and our Vice-Chairman, Weili He, owns approximately 25.17% of our outstanding voting securities as of June 30, 2009 in a fully diluted share base. As a result, each have significant influence over our business, including decisions regarding mergers, consolidations, liquidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may also have the effect of discouraging, delaying or preventing a future change of control, which could deprive our stockholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our shares.

We may require additional capital and we may not be able to obtain it on acceptable terms or at all.

We believe that our current cash and cash flow from operations will be sufficient to meet our present cash needs. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity securities could result in dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financing covenants that would restrict our operations. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors' perception of, and demand for, securities of Chinese-based companies involved in construction supply or concrete industries;
- conditions of the U.S. and other capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows; and
- economic, political and other conditions in China.

Financing may not be available in amounts or on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms favorable to us, or at all, could have a material adverse effect on our business, financial condition and results of operations.

We may be exposed to potential risks relating to our internal controls over financial reporting and our ability to have those controls attested to by our independent auditors for the year ending June 30, 2010, in accordance with the Sarbanes-Oxley Act of 2002..

As directed by Section 404 of the Sarbanes-Oxley Act of 2002 or SOX 404, the SEC adopted rules requiring public companies to include a report of management on the company's internal controls over financial reporting in their annual reports, including Form 10-K. In addition, the independent registered public accounting firm auditing a company's financial statements must also attest to and report on management's assessment of the effectiveness of the company's internal controls over financial reporting as well as the operating effectiveness of the company's internal controls. We were subject to management attestation report for the fiscal year ended June 30, 2009, accordingly we have evaluated our internal control systems in order to allow our management to report on our internal controls as required by these requirements of SOX 404. Our management has concluded that our internal control over financial reporting is not effective and has material weaknesses for the year ended June 30, 2009. We have hired Ernst & Young in assisting and implementing SOX 404 for us in March, 2009. Under current law, we will be subject to these requirements beginning with our annual report for the fiscal year ending June 30, 2009, although the auditor attestation will not be required until our annual report for the fiscal year ending June 30, 2010. We can provide no assurance that we will comply with all of the requirements imposed thereby. There can be no positive assurance that we will receive a positive attestation from our independent auditors. In the event we identify significant deficiencies or material weaknesses in our internal controls that we cannot remediate in a timely manner or we are unable to receive a positive attestation from our independent auditors with respect to our internal controls, investors and others may lose confidence in the reliability of our financial statements, which could adversely affect the price of our shares.

RISKS RELATED TO DOING BUSINESS IN CHINA

Adverse changes in political and economic policies of the PRC government could impede the overall economic growth of China, which could reduce the demand for our products and damage our business.

We conduct all of our operations and generate all of our revenue in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China. The PRC economy differs from the economies of most developed countries in many respects, including:

- the higher level of government involvement;
- the early stage of development of the market-oriented sector of the economy;
- the rapid growth rate;
- the higher level of control over foreign exchange; and
- the allocation of resources.

As the PRC economy has been transitioning from a planned economy to a more market-oriented economy, the PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. While these measures may benefit the overall PRC economy, they may also have a negative effect on us.

Although the PRC government has in recent years implemented measures emphasizing the utilization of market forces for economic reform, the PRC government continues to exercise significant control over economic growth in China through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and imposing policies that impact particular industries or companies in different ways.

Any adverse change in the economic conditions or government policies in China could have a material adverse effect on the overall economic growth and the level of new construction investments and expenditures in China, which in turn could lead to a reduction in demand for our services and consequently have a material adverse effect on our business and prospects.

Uncertainties with respect to the PRC legal system could limit the legal protections available to you and us.

We conduct substantially all of our business through our operating subsidiary in the PRC. Our operating subsidiaries are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to foreign-invested enterprises. The PRC legal system is based on written statutes, and prior court decisions may be cited for reference but have limited precedential value. Since 1979, a series of new PRC laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to you and us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. In addition, all of our executive officers and all of our directors are residents of China and not of the United States, and substantially all the assets of these persons are located outside the United States. As a result, it could be difficult for investors to affect service of process in the United States or to enforce a judgment obtained in the United States against our Chinese operations and subsidiaries.

The PRC government exerts substantial influence over the manner in which we must conduct our business activities.

The PRC government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, import and export tariffs, environmental regulations, land use rights, property and other matters. We believe that our operations in China are in material compliance with all applicable legal and regulatory requirements. However, the central or local governments of the jurisdictions in which we operate may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations.

Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof and could require us to divest ourselves of any interest we then hold in Chinese properties or joint ventures.

A slowdown or other adverse developments in the PRC economy may materially and adversely affect our customers, demand for our services and our business.

We are a holding company. All of our operations are conducted in the PRC and all of our revenues are generated from sales in the PRC. Although the PRC economy has grown significantly in recent years, we cannot assure you that such

growth will continue. A slowdown in overall economic growth, an economic downturn or recession or other adverse economic developments in the PRC may materially reduce the demand for new construction projects and adversely affect our business.

Restrictions on currency exchange may limit our ability to receive and use our sales revenue effectively.

Most of our sales revenue and expenses are denominated in RMB. Under PRC law, the RMB is currently convertible under the “current account,” which includes dividends and trade and service-related foreign exchange transactions, but not under the “capital account,” which includes foreign direct investment and loans. Currently, our PRC operating subsidiary may purchase foreign currencies for settlement of current account transactions, including payments of dividends to us, without the approval of the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, the relevant PRC government authorities may limit or eliminate our ability to purchase foreign currencies in the future. Since a significant amount of our future revenue will be denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in RMB to fund our business activities outside China that are denominated in foreign currencies.

Foreign exchange transactions by PRC operating subsidiaries under the capital account continue to be subject to significant foreign exchange controls and require the approval of or need to register with PRC government authorities, including SAFE. In particular, if our PRC operating subsidiaries borrow foreign currency through loans from us or other foreign lenders, these loans must be registered with SAFE, and if we finance the subsidiaries by means of additional capital contributions, these capital contributions must be approved by certain government authorities, including the Ministry of Commerce, or MOFCOM, or their respective local counterparts. These limitations could affect their ability to obtain foreign exchange through debt or equity financing.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents, if applied to us, may subject our PRC resident stockholders to personal liability and limit our ability to acquire PRC companies or to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us or otherwise materially adversely affect us.

In October 2005, SAFE issued the Notice on Relevant Issues in the Foreign Exchange Control over Financing and Return Investment Through Special Purpose Companies by Residents Inside China, or the SAFE Notice. The SAFE Notice requires PRC residents to register with the appropriate local SAFE branch before using assets or equity interests in their PRC entities to capitalize offshore special purpose companies, or SPVs, or to raise capital overseas. A SAFE registration must be amended by a PRC resident if the SPV undergoes a significant event, such as a change in share capital, share transfer, merger, acquisition, spin-off transaction or use of assets in China to guarantee offshore obligations. Moreover, if the SPV was established and owned the onshore assets or equity interests before the implementation of the SAFE Notice, a retroactive SAFE registration is required to have been completed before March 31, 2006. Our PRC resident shareholders have filed their SAFE registration with the local SAFE branch which has indicated to us that the registrations comply with applicable laws. However, we cannot provide any assurances that their existing registration have fully complied with, and they have made necessary amendments to their registration to fully comply with, all applicable registrations or approvals required by this SAFE Notice.

Moreover, because of uncertainty over how the SAFE Notice will be interpreted and implemented, and how or whether SAFE will apply it to us, we cannot predict how it will affect our business operations or future strategies. For example, our present and prospective PRC subsidiaries' ability to conduct foreign exchange activities, such as the remittance of dividends and foreign currency-denominated borrowings, may be subject to compliance with the SAFE Notice by our PRC resident beneficial holders. In addition, such PRC residents may not always be able to complete the necessary registration procedures required by the SAFE Notice. We also have little control over either our present or prospective direct or indirect stockholders or the outcome of such registration procedures. A failure by our PRC resident beneficial holders or future PRC resident stockholders to comply with the SAFE Notice, if SAFE requires it, could subject these PRC resident beneficial holders to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

We may be unable to complete a business combination transaction efficiently or on favorable terms due to complicated merger and acquisition regulations implemented on September 8, 2006.

The recent PRC Regulation on Mergers and Acquisitions of Domestic Companies by Foreign Investors also governs the approval process by which a PRC company may participate in an acquisition of its assets or its equity interests. Depending on the structure of the transaction, the new regulation will require the Chinese parties to make a series of applications and supplemental applications to the government agencies. In some instances, the application process may require the presentation of economic data concerning a transaction, including appraisals of the target business and evaluations of the acquirer, which are designed to allow the government to assess the transaction. Government approvals will have expiration dates by which a transaction must be completed and reported to the government agencies. Compliance with the new regulations is likely to be more time consuming and expensive than in the past and

the government can now exert more control over the combination of two businesses. Accordingly, due to the new regulation, our ability to engage in business combination transactions has become significantly more complicated, time consuming and expensive, and we may not be able to negotiate a transaction that is acceptable to our stockholders or sufficiently protect their interests in a transaction.

The new regulation allows PRC government agencies to assess the economic terms of a business combination transaction. Parties to a business combination transaction may have to submit to MOFCOM and the other government agencies an appraisal report, an evaluation report and the acquisition agreement, all of which form part of the application for approval, depending on the structure of the transaction. The regulations also prohibit a transaction at an acquisition price obviously lower than the appraised value of the Chinese business or assets and in certain transaction structures, require that consideration must be paid within defined periods, generally not in excess of a year. The regulation also limits our ability to negotiate various terms of the acquisition, including aspects of the initial consideration, contingent consideration, holdback provisions, indemnification provisions and provisions relating to the assumption and allocation of assets and liabilities. Transaction structures involving trusts, nominees and similar entities are prohibited. Therefore, such regulation may impede our ability to negotiate and complete a business combination transaction on financial terms that satisfy our investors and protect our stockholders' economic interests.

Fluctuations in exchange rates could adversely affect our business and the value of our securities.

The value of our common stock will be indirectly affected by the foreign exchange rate between U.S. dollars and RMB and between those currencies and other currencies in which our sales may be denominated. Because substantially all of our earnings and cash assets are denominated in RMB and the net proceeds from this offering will be denominated in U.S. dollars, fluctuations in the exchange rate between the U.S. dollar and the RMB will affect the relative purchasing power of these proceeds, our balance sheet and our earnings per share in U.S. dollars following this offering. In addition, appreciation or depreciation in the value of the RMB relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. Fluctuations in the exchange rate will also affect the relative value of any dividend we issue after this offering that will be exchanged into U.S. dollars and earnings from, and the value of, any U.S. dollar-denominated investments we make in the future.

Since July 2005, the RMB has no longer been pegged to the U.S. dollar. Although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future PRC authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our foreign currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currencies.

Currently, some of our raw materials and major equipment are imported. In the event that the U.S. dollars appreciate against RMB, our costs will increase. If we can not pass the resulting costs on to our customers, our profitability and operating results will suffer.

RISKS RELATED TO THE MARKET FOR OUR COMMON STOCK

Our shares of common stock are very thinly traded, and there can be no assurance that there will be an active market for our shares of common stock in the future.

Our shares of common stock are very thinly traded, and the price if traded may not reflect our value. There can be no assurance that there will be an active market for our shares of common stock in the future. The market liquidity will be dependent on the perception of our operating business and any steps that our management might take to bring us to the awareness of investors. There can be no assurance given that there will be any awareness generated. Consequently, investors may not be able to liquidate their investment or liquidate it at a price that reflects the value of the business. If a more active market should develop, the price may be highly volatile. Because there may be a low price for our shares of common stock, many brokerage firms may not be willing to effect transactions in the securities. Even if an investor finds a broker willing to effect a transaction in the shares of our common stock, the combination of brokerage commissions, transfer fees, taxes, if any, and any other selling costs may exceed the selling price. Further, many lending institutions will not permit the use of such shares of common stock as collateral for any loans.

We do not intend to pay dividends on shares of our common stock for the foreseeable future, but if we intend to do so our holding company structure may limit the payment of dividends to our stockholders.

We have no direct business operations, other than our ownership of our subsidiaries. While we have no current intention of paying dividends, should we decide in the future to do so, as a holding company, our ability to pay dividends and meet other obligations depends upon the receipt of dividends or other payments from our operating subsidiaries and other holdings and investments. In addition, our operating subsidiaries, from time to time, may be subject to restrictions on their ability to make distributions to us, including as a result of restrictive covenants in loan agreements, restrictions on the conversion of local currency into U.S. dollars or other hard currency and other regulatory restrictions as discussed below. If future dividends are paid in RMB, fluctuations in the exchange rate for the conversion of RMB into U.S. dollars may reduce the amount received by U.S. stockholders upon conversion of the dividend payment into U.S. dollars.

Chinese regulations currently permit the payment of dividends only out of accumulated profits as determined in accordance with Chinese accounting standards and regulations. Our subsidiaries in China are also required to set aside a portion of their after tax profits according to Chinese accounting standards and regulations to fund certain reserve funds. Currently, our subsidiaries in China are the only sources of revenues or investment holdings for the payment of dividends. If they do not accumulate sufficient profits under Chinese accounting standards and regulations to first fund certain reserve funds as required by Chinese accounting standards, we will be unable to pay any dividends.

We may be subject to penny stock regulations and restrictions and you may have difficulty selling shares of our common stock.

The SEC has adopted regulations which generally define so-called “penny stocks” to be an equity security that has a market price less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exemptions. If our common stock becomes a “penny stock”, we may become subject to Rule 15c-9 under the Exchange Act, or the “Penny Stock Rule”. This rule imposes additional sales practice requirements on broker-dealers that sell such securities to persons other than established customers and “accredited investors” (generally, individuals with a net worth in excess of \$1,000,000 or annual incomes exceeding \$200,000, or \$300,000 together with their spouses). For transactions covered by Rule 15c-9, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser’s written consent to the transaction prior to sale. As a result, this rule may affect the ability of broker-dealers to sell our securities and may affect the ability of purchasers to sell any of our securities in the secondary market.

For any transaction involving a penny stock, unless exempt, the rules require delivery, prior to any transaction in a penny stock, of a disclosure schedule prepared by the SEC relating to the penny stock market. Disclosure is also required to be made about sales commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stock.

There can be no assurance that our common stock will qualify for exemption from the Penny Stock Rule. In any event, even if our common stock were exempt from the Penny Stock Rule, we would remain subject to Section 15(b)(6) of the Exchange Act, which gives the SEC the authority to restrict any person from participating in a distribution of penny stock, if the SEC finds that such a restriction would be in the public interest.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

There is no private land ownership in China. Individuals and companies are permitted to acquire land use rights for specific purposes. We lease our 44,041 square meter facility located at Jia 1, SanTaiShan, XiaoHongMen County, ChaoYang District, Beijing, China, from Beijing SanTaiShan Chemical Trading & Logistics Co., who was granted land use rights from the PRC government. The lease provides for a five year term beginning on October 1, 2008, with the option to extend following expiration. Annual rent on the property is approximately \$192,000.

We entered into three different five-year operating lease agreements during the fourth quarter of 2009. The lease payments are for three manufacture plants with different unrelated parties for a total monthly payment of \$176,000. Some lease payments have been pre-paid by transferring the Company's long-term accounts receivable to the lessors at approximately the fair market value of the future lease payments as the Company believes that a lump-sum pre-payments from aging receivable in exchange for agreeing to no increase in the future lease will benefit its future operation.

We have an extensive fleet of 116 concrete mixers, 17 pump trucks, and we have access to additional 10-20 rental vehicles depending on specific project requirements. More than half of the vehicles are equipped with GPS and tracking devices from the plants central dispatch center in order to optimize capacity utilization, production and delivery schedules.

Item 3. Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings, which arise, in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results. Details of our current legal proceedings are disclosed under item 1. Litigation.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock has been quoted on the OTC Bulletin Board since May 19, 2008 under the symbol CADC. Prior to that date, there was no active market for our common stock. The following table sets forth the high and low bid prices for our common stock for the periods indicated, as reported by the OTC Bulletin Board. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

Year	Quarter Ending	High	Low
2009	September 30 (as of September 22)	\$ 5.50	\$ 2.30
	June 30	\$ 3.90	\$ 1.71
	March 31	\$ 2.75	\$ 1.01
2008	December 31	\$ 2.75	\$ 2.74
	September 30	\$ 2.60	\$ 2.60
	June 30 (from May 19)	\$ 2.30	\$ 0.30

As of September 22, 2009, there were 426 stockholders of record of our common stock.

We have not declared or paid any cash dividends on our common stock and do not anticipate declaring or paying any cash dividends in the foreseeable future. We currently expect to retain future earnings, if any, for the development of our business. Dividends may be paid on our common stock only if and when declared by our board of directors.

Dividends

We have never paid dividends on our common stock. While any future dividends will be determined by our directors after consideration of the earnings, financial condition, and other relevant factors, it is currently expected that available cash resources will be utilized in connection with our ongoing operations.

Section 15(g) of the Securities Exchange Act of 1934 — The Penny Stock Rules

Our shares are covered by Section 15(g) of the Securities Exchange Act of 1934 as amended, that imposes additional sales practice requirements on broker/dealers who sell such securities to persons other than established customers and accredited investors (generally institutions with assets in excess of \$5,000,000, or individuals with net worth in excess of \$1,000,000 or annual income exceeding \$200,000, or \$300,000 jointly with their spouses). For transactions covered by this Section 15(g), the broker/dealer must make a special suitability determination for the purchase and have received the purchaser's written agreement to the transaction prior to the sale. Consequently, Section 15(g) may affect the ability of broker/dealers to sell our securities and also may affect your ability to sell your shares in the secondary market.

Item 6. Selected Financial Data

Not Applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, is intended to help the reader understand our operations and the present business environment. MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes thereto contained in "Item 8. Financial Statements and Supplementary Data" of this report. This overview summarizes the MD&A, which includes the following sections:

• **Our Business** — a general overview of our two business segments, the material opportunities and challenges of our business;

• **Critical Accounting Policies and Estimates** — a discussion of accounting policies that require critical judgments and estimates;

•Operations Review — an analysis of our Company’s consolidated results of operations for the two years presented in our consolidated financial statements. Except to the extent that differences among our operating segments are material to an understanding of our business as a whole, we present the discussion in the MD&A on a consolidated basis; and

•Liquidity, Capital Resources and Financial Position — an analysis of cash flows; an overview of financial position.

The following discussion contains forward-looking statements that involve risks, uncertainties, and assumptions such as statements of our plans, objectives, expectations, and intentions. Our actual results may differ materially from those discussed in these forward-looking statements because of the risks and uncertainties inherent in future events.

Management's Discussion and Analysis or Plan of Operation

Overview

We are a holding company whose primary business operations are conducted through our wholly-owned subsidiaries BVI-ACM and China-ACMH. China-ACMH and its variable interest entity Xin Ao are engaged in the production of advanced construction materials for large scale commercial, residential, and infrastructure developments, and is primarily focused on producing and supplying a wide range of advanced ready-mix concrete materials for highly technical, large scale, and environmentally-friendly construction projects. BVI-ACM owns 100% of the issued and outstanding capital stock of China-ACMH, a company incorporated under the laws of China. On November 28, 2007, China-ACMH entered into a series of contractual agreements, as described elsewhere in this report, with Xin Ao through which China-ACMH operates and controls Xin Ao.

Together with our subsidiaries, we provide materials and services through our network of seven ready-mixed concrete plants throughout Beijing and nine portable concrete plants located in various provinces all over China that are currently supporting our high speed railway projects. Our management believes that we have the ability to capture a much greater share of the Beijing market and further expand our footprint in China via expanding relationships and networking, signing new contracts, and continually developing market-leading innovative and eco-friendly ready-mix concrete products. Based on reports from the National Development and Reform Commission, or NDRC, we anticipate that our market share will further expand due to the announced \$586 billion infrastructure stimulus packages by the Chinese government last year, which will focus primary on transportation related projects such as railway, highway, and transportation related infrastructure.

Principal Factors Affecting Our Financial Performance

We believe that the following factors will continue to affect our financial performance:

Large Scale Contractor Relationships. We have contracts with major construction contractors which are constructing key infrastructure, commercial and residential projects. Our sales efforts focus on large-scale projects and large customers which place large recurring orders and present less credit risks to us. Five customers accounted for approximately 32.03 % and 41.49% of the Company's sales for the years ended June 30, 2009 and 2008, respectively. The total accounts receivable from these customers amounted to \$3,624,793 and \$3,584,879 as of June 30, 2009 and 2008, respectively.

Experienced Management. Management's technical knowledge and business relationships gives us the ability to secure major infrastructure projects, which provides us with leverage to acquire less sophisticated operators, increase production volumes, and implement quality standards and environmentally sensitive policies.

Innovation Efforts. We strive to produce the most technically and scientifically advanced products to our customers and maintain close relationships with Tsinghua University, Xi'an University of Architecture and Technology and Beijing Dongfangjianyu Institute of Concrete Science & Technology which assist us with our research and development activities. During our 5 year agreement with the parties, we have realized an advantage over many of our competitors by gaining access to a wide array of resources and knowledge. At present, no payments have been made by us under the agreement.

Results of Operations

The following table sets forth key components of our results of operations for the periods indicated, in US dollars:

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For the years ended June 30,
2009 2008

Total revenue	\$	39,714,802	\$	27,565,044
Total cost of revenue		24,518,042		20,799,398
Gross profit		15,196,760		6,765,646
Selling, general and administrative expenses		(1,717,794)		(1,946,541)
Other income, net		704,620		1,357,461
Income before provision for income taxes		14,183,586		6,176,566
Income taxes		2,115,097		1,012,382
Net income		12,068,489		5,164,184
Dividends and accretion on redeemable convertible preferred		1,229,473		33,387
Net income available to Common shareholders	\$	10,839,016	\$	5,130,797

The following table sets forth the results of our operations for the periods indicated as a percentage of total sales:

	For the years ended June 30,	
	2009	2008
Total revenue	100.0%	100.0%
Total cost of revenue	61.7%	75.5%
Gross profit	38.3%	24.5%
Selling, general and administrative expenses	(4.3)%	(7.1)%
Other income, net	1.8%	4.9%
Income before provision for income taxes	35.8%	22.3%
Income taxes	5.3%	3.7%
Net income	30.5%	18.6%
Dividends and accretion on redeemable convertible preferred	3.1%	0.1%
Net income available to common shareholders	27.4%	18.5%

Comparison of the year Ended June 30, 2009 and 2008

Revenue. Our revenue is generated from sales of our advanced ready-mix concrete products, manufacturing services, technical consulting, and mixer rental. For the year ended June 30, 2009, we generated revenue of \$39,714,802 compared to \$27,565,044 during the same period of 2008, an increase of \$12,149,758 or 44.1%. During the fiscal year surrounding the Olympic Games held in August in Beijing, our primary area of operation, all construction within the 5th ring expressway surrounding the city was halted and delayed until after the Olympics. In anticipation of this work stoppage and in an attempt to counter any adverse effect such an event could have on our operations, we focused efforts during this time to expanding the geographic area of our operations, providing manufacture services and technical consulting services to other companies as well as renting our equipment to other companies. Our concrete sales revenue increased as the construction industry in Beijing returned back to full scale following the Olympics. The Company also increased concrete capacity in its concrete plants in Beijing area during the fourth quarter this fiscal year. As a result, our concrete revenue increased by \$553,448 compared to the same period last year despite the Olympics affects. During the year ended June 30, 2009, we continued to supply concrete products to nine railway projects located outside Beijing area through our portable plants, specifically the Suzhou and Danyang sections of the Beijing-Shanghai high-speed railway project, the East Datong-Gudian connection railway project, Zhumadian railway project, Qinhuangdao project, Yongfu project, Liuzhou project, and Hangzhou projects. These nine projects contributed \$7,053,728 to our total revenue for the year ended June 30, 2009. For these railway projects, the general contractors supplied their own raw materials and we provided manufacturing and transportation services. Additionally, technical consulting services generated revenue of \$1,924,089 during the year. During the twelve month period ended June 30, 2009, we also rented our mixer trucks to mixture stations located outside the 5th ring expressway of Beijing which generated revenues of \$2,618,493. We anticipate our sales revenue will continue to grow as the Chinese government announced its 4 trillion Yuan (USD\$586 billion) stimulus package in November 2008 well as the Chinese government's railroad project plans which are expected to cost a total of \$730 billion through 2020. We should be a direct beneficiary of transport and infrastructure build-out from China's stimulus package. We plan to continue to expand our business into additional geographical markets due to our strong relationship with major contractors in China.

Cost of Revenue. Cost of Revenue, which consists of direct labor, rentals, depreciation, other overheads and raw materials including inbound freight charge, was \$24,518,042 for the year ended June 30, 2009 as compared to \$20,799,398 for the year ended June 30, 2008, an increase of 17.9% or \$3,718,644. The increase on cost of revenue was due to overall increase in sales revenue of 44.1% as a result of the increase in production from three fixed concrete plants in Beijing areas and increase production on manufacture and technical services as well as other services compared to the same period in 2008. The cost of revenue has decreased significantly compared to the percentage increase in revenue. As previously discussed, we continued to work on the nine railway projects for the year ended June 30, 2009, the costs of which did not include raw material, water and electricity, as such costs were paid directly by the projects' general contractors. We also continued to enter into concrete technical and mixer rental service contracts which have higher gross margins. We did not engage in this source of service contracts during the same period in 2008.

Gross Profit. Our gross profit is equal to the difference between our revenue and cost of revenue. Gross profit was \$15,196,760 for the year ended June 30, 2009 as compared to \$6,765,646 for the year ended June 30, 2008, representing gross margin of approximately 38.3% and 24.5%, respectively. The gross profit for sale of concrete was \$7,461,180 or 26.5% for the year ended June 30, 2009 compared to \$6,765,646 or 24.5% for the same period last year, an increase of \$695,534 or 10.3%. The gross profit on our manufacturing services was \$4,285,473 or 60.8% for the year ended June 30, 2009. The higher gross margin on manufacture service reflects the fact that cost of the nine railway projects did not include raw materials that were supplied directly by the project's general contractors. The higher gross margin is also attributable to more profitable technical services and mixer rental during the year ended June 30, 2009. We plan to expand our manufacturing and technical services, which produce the highest gross profits among our revenue sectors.

Selling, General and Administrative Expenses. Selling, general and administrative expenses consist of sales commissions, advertising and marketing costs, office rent and expenses, costs associated with staff and support personnel who manage our business activities, and professional and legal fees paid to third parties. The company incurred selling, general and administrative expenses of \$1,717,794 for the year ended June 30, 2009, a decrease of 7.1% or \$228,747, as compared to \$1,946,541 for the year ended June 30, 2008. The decrease is primarily due to cash and non-cash expenses associated with the reverse merger of BVI-ACM and the preferred stock offering, totaling \$420,159 and including fees paid to attorneys and consultants and non-cash charges related warrants issued for services in 2008 offset by increased legal fees, auditing and accounting expenses, investor relations and other professional expenses following our reverse merger and financing in 2009. The decrease was also due to a credit adjustment in bad debt expenses resulting from an overall reduction in aging receivable balance.

Other Income and Expenses, net. Our other income consists of valued added tax exemption from the government, interest income and other non-operating income. We had net other income of \$704,620 for the year ended June 30, 2009 as compared to net other income of \$1,357,461 for the year ended June 30, 2008, a decrease in net other income of \$652,841 or 48.1%. The decrease in net other income is partly due to receiving of value added tax exemption from the government offset by increase in other non-operating expense and interest expense. We had interest expenses of \$802,650 for the year ended June 30, 2009 as compared to \$149,419 for the year ended June 30, 2008, an increase of \$653,231. The increase is contributing to higher interest expense on short-term loans for the year ended June 30, 2009, and financial leverage as compared to the same period last year. The increase was also due to a non-operating expense of \$140,000 for liquidated damages we paid to preferred stock investors as a result of late registration effectiveness under our private placement agreement and a non-operating expense for accounts receivable factoring fee that represented 8.8% on total receivable transferred or \$361,396 incurred for selling our aging accounts receivable.

Provision for Income Taxes. Provision for income taxes amounted to \$2,115,097 and \$1,012,382 for the year ended June 30, 2009 and 2008, respectively. The Company has been using recycled raw materials in its production since its inception which entitled us to an income tax exemption from January 1, 2003 through December 31, 2007 and an

income tax rate reduction from January 1, 2009 to December 31, 2011 as granted by the State Administration of Taxation, PRC. Starting January 1, 2008, the Company was subject to 25% income tax rate and starting January 1, 2009, the Company is subject to 15% income tax rate. Therefore, the total income taxes incurred for the fiscal year ended June 30, 2009 comprised of 25% income tax rate for the first six months and 15% income tax rate for the next six months compared to 0% income tax rate for the first six months and 25% income tax rate for the next six months for the same period in 2008. The new tax rate granted to the Company in June this year and the provision for income taxes provision was retro-active adjusted from the beginning of the calendar year 2009 in the fourth quarter ended June 30, 2009. The Company had requested three months corporate income tax extension and the request was approved by the Chinese governments. In the past, XinAo has been paying corporate income tax on behalf of China-ACMH and there could be a potential liability for additional taxes for China-ACMH, though at present the Company is unable to determine the extent of any such liability, if any.

Net Income. We had net income of \$12,068,489 for the year ended June 30, 2009 as compared to \$5,164,184 for the year ended June 30, 2008, an increase of 133.7% or \$6,904,305. The increase in net income is attributable to increase in our plant production in Beijing area, higher gross profit on the nine railway projects, technical services, other Income contracts, and rent income of mixer trucks. The increase in net income is also due to the reduction in general and administrative expenses and other expenses after the reverse merger and financing offset by increase in income tax expense. Our net margin increased from 18.7% for the year ended June 30, 2008 to 30.4% for the year ended June 30, 2009 due to higher margin we realized on the nine railway projects on a lower cost-of-revenue basis as the general contractors supplied raw materials themselves as well as greater profitability from the rent of mixer trucks and technical service and marketing cooperation contracts performed during the year ended June 30, 2009. The increase in net margin is also due to decrease in bad debt allowance resulting from overall reduction in aging receivable balances. Our management believes that our profits should continue to increase as we continue to expand our service sectors which generate higher gross margins and as we are a direct beneficiary of Chinese government's stimulus package on infrastructure projects. We also plan to lease or build new plants in order to increase our accessibility to construction sites located in Beijing, expand into other geographical areas, as well as vertically integrate our operations across the supply chain, which should further lower our costs and provide even greater profitability

Dividends and accretion on redeemable convertible preferred stock. The increase in dividends and accretion on redeemable convertible preferred stock of \$1,196,086 compared to the year ended June 30, 2008 is due to our redeemable convertible preferred stock offering consummated in June 2008, which included preferred dividend expense of \$628,505 and \$33,387 for the years ended June 30, 2009 and 2008, respectively, and accretion of discount on the preferred stock of \$600,968 for the year ended June 30, 2009.

Liquidity and Capital Resources

As of June 30, 2009, we had cash and cash equivalents of \$3,634,805 and restricted cash of \$453,192. The following table provides detailed information about our net cash flow for financial statement periods presented in this report:

	Summary of Cash Flow Statements For the years ended June 30,	
	2009	2008
Net cash provided by (used in) operating activities	\$ 3,361,128	\$ 5,110,924
Net cash provided by (used in) investing activities	(1,771,915)	(8,701,026)
Net cash provided by (used in) financing activities	136,572	4,376,507
Effect of foreign currency translation on cash and cash equivalents	(1,475)	(300,793)
Net (decrease) increase in cash and cash equivalent	\$ 1,724,310	\$ 485,612

Principal demands for liquidity are for construction or acquisition of concrete mixture stations, purchases of concrete mixers and pump trucks, working capital and general corporate purposes.

Comparison of Year Ended June 30, 2009 and 2008

Net Cash Provided by Operating Activities. Net cash provided in operating activities totaled \$3,361,128 for the year ended June 30, 2009 as to net cash provided by operating activities of \$5,110,924 for the year ended June 30, 2008. The decrease in net cash provided by operating activities was primarily due to increases in accounts receivable, other receivables, and inventory of raw materials, partially offset by deferred payment of cash on tax, accounts payable, and other payable during the year ended June 30, 2009. We expect our cash flow from operating activities to improve as the construction industry in Beijing accelerates following the Olympic Games, and we strengthen our efforts to negotiate more favorable terms with our suppliers and customers.

Net Cash Used In Investing Activities. Net cash used in investing activities was \$1,771,915 for the year ended June 30, 2009 and \$8,701,026 for the year ended June 30, 2008. The cash was used to purchase of new equipment and for construction in progress for portable plants.

Net Cash Provided by/used in Financing Activities. Net cash provided by financing activities totaled \$136,572 for the year ended June 30, 2009 as compared to net cash provided in financing activities of \$4,376,507 for the year ended June 30, 2008. The reason for the increase in cash provided by financing activities was due to short-term loans of \$4,395,000 (RMB 30 million) from Beijing International Trust & Investment Co., due July 15, 2009 and \$2,930,000 (RMB 20 million) from Huaxia Bank, due November 16, 2008, partially offset by repayment of short-term loans from Huaxia Bank for \$5,868,000 (RMB 40 million), and from employees and unrelated companies for \$822,950 (RMB 6,300,000) offset by dividend paid to our preferred stock owners. The net proceeds from the loans will be used for building plant, purchasing concrete mixers and pump trucks, working capital and general corporate purposes.

Cash. As of June 30, 2009, we had cash of \$3,634,805 as compared to \$1,910,495 as of June 30, 2008. This increase was due primarily to an increase in net short-term borrowings and deferred payment of payable offset by increase in accounts receivable and equipment purchased.

The Company has significantly reduced its receivables balance by transferring a large portion of its long-term accounts receivable rights to unrelated third parties this year. For the years ended June 30, 2009 and 2008, the Company transferred a total of \$16.2 million and \$0 of accounts receivable, respectively, as payments for the acquisition of fixed assets, as prepayment for rental expense, and as a factoring agreement. All receivables transferred in the contracts were based on the current market value.

We believe that we can meet our liquidity and capital requirements in 2010 from a variety of sources. These include present capital resources, internally generated cash, short-term borrowings from both related parties and financial institutions, and future equity financings.

Loan Facilities

We had a total of \$4,512,200 and \$4,271,222 outstanding on loans and credit facilities as of June 30, 2009 and 2008 respectively. The loans consisted of the following:

	June 30, 2009	June 30, 2008
Loan from Huaxia Bank, effective interest rate of 7.56% per annum, due November 16, 2008, guaranteed by the Company's shareholder, Mr. Han Xianfu. (paid in full as of December 31, 2008)	\$ -	\$ 2,918,000
Loan from Beijing International Trust Co, Ltd. interest rate of 15% per annum, due July 15, 2009, guaranteed by Rayland Credit Guarantee Co. Ltd. (paid in full in July 2009)	4,395,000	-
Loan from Beijing Hengxin Huaxing Auto Accessories Company, unrelated entity, non-interest bearing. (paid in full as of December 31, 2008)	-	379,340
Loan from Beijing Hongda Huaxin Wujinjian Company, unrelated company, non-interest bearing. (paid in full as of December 31, 2008)	-	204,260
Loan from Beijing Sigi Qingbaosan Cement Company, unrelated company, non-interest bearing. (paid in full as of December 31, 2008)	-	116,720
Loan from Xia Hua Qing, unrelated individual, non-interest bearing. (paid in full as of December 31, 2008)	-	128,392
Loan from various employees, effective interest rate of 20% per annum, due upon demand, unsecured.	117,200	524,510
Total short term loans	\$ 4,512,200	\$ 4,271,222

Total interest expense on short-term loans for the year ended June 30, 2009 and 2008 amounted to \$802,804 and \$310,875, respectively.

Obligations Under Material Contracts

Below is a table setting forth our contractual obligations as of June 30, 2009:

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		Payment due in year ended June 30,						
	Total	2010	2011	2012	2013	2014	Thereafter	
Long term debt obligations	-	-	-	-	-	-	-	-
Capital commitment	-	-	-	-	-	-	-	-
Operating lease obligations	\$ 4,340,202	\$ 424,930	929,894	\$ 929,894	\$ 1,101,498	\$ 953,986	\$	-
Purchase obligations	-	-	-	-	-	-	-	-
Total	\$ 4,340,202	\$ 424,930	929,894	\$ 929,894	\$ 1,101,498	\$ 953,986	\$	-

Seasonality

Our manufacturing operations are primarily located in northeastern China, which is extremely cold during the winter months. During such time, we are able to manufacture our advanced ready-mix concrete materials, however many construction projects operate on an abbreviated work schedule, if at all.

Critical Accounting Policies and Estimates

The accompanying consolidated financial statements include the financial statements of China ACM and its wholly owned subsidiaries, BVI-ACM, China-ACMH and its variable interest entity Xin Ao. All significant inter-company transactions and balances have been eliminated in consolidation. China ACM, its subsidiaries and Xin Ao, together are referred to as the Company. In accordance with FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities, or FIN 46(R), variable interest entities, or VIEs, are generally entities that lack sufficient equity to finance their activities without additional financial support from other parties or whose equity holders lack adequate decision making ability. All VIEs with which the Company is involved must be evaluated to determine the primary beneficiary of the risks and rewards of the VIE. The primary beneficiary is required to consolidate the VIE for financial reporting purposes. In connection with the adoption of FIN 46(R), the Company concludes that Xin Ao is a VIE and China ACM is the primary beneficiary. Under FIN 46(R) transition rules, the financial statements of Xin Ao are then consolidated into the Company's consolidated financial statements.

Our management's discussion and analysis of our financial condition and results of operations are based on the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported net sales and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and assumptions. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in Note 2 to our consolidated financial statements included, we believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating this management discussion and analysis:

Revenue Recognition. The Company recognizes revenue in accordance with Staff Accounting Bulletin, or SAB, No. 101, "Revenue Recognition in Financial Statements" as amended by SAB No. 104, which specifies that revenue is realized or realizable and earned when four criteria are met:

- Persuasive evidence of an arrangement exists (the Company considers its sales contracts and technical service agreements to be pervasive evidence of an arrangement);
- Delivery has occurred or services have been rendered;
- The seller's price to the buyer is fixed or determinable; and
- Collectability of payment is reasonably assured.

The Company sells its concrete products and provides concrete manufacturing services mainly to major construction companies. Sales agreements are signed with each customer. The agreements list all terms and conditions with the

exception of delivery date and quantity, which are evidenced separately in purchase orders. The purchase price of products is fixed in the agreement and customers are not permitted to renegotiate after the contracts have been signed. The agreements include a cancellation clause if the Company breaches the contract terms specified in the agreement. The Company does not sell products to customers on a consignment basis. There is no right of return after the product has been injected into the location specified by the contract and accepted by the customer. The Company recognizes revenue when the goods are accepted by the customer and title has passed.

Sales revenue represents the invoiced value of goods, net of a value-added tax, or VAT. All of the Company's concrete products that are sold in the PRC are subject to a Chinese value-added tax at the rate of 6% of the gross sales price.

Due to the fact that the Company uses recycled raw materials to manufacture its products, the State Administration of Taxation has granted the Company VAT tax exemption from August 2005 through to August 2011. The VAT tax collected from the Company's customers is kept by the Company and recorded as Other Subsidy Income.

The Company also provides technical consulting services to and enters strategic cooperation including market sharing and equipment rental with other independently owned concrete companies. The Company signs a Technical Service Agreement or Strategic Cooperation Agreement with each client, which specifies all terms and conditions including prices to be charged. Once concrete products are produced by clients and supplied to builders referred by the Company or cost savings are realized by use of technical solutions provided by the Company, the agreements consider the Company has rendered its service. The Company recognizes revenue and invoices client monthly for technical service and marketing cooperation on a per-cubic-meter basis and for equipment rental on a per-mixer truck basis.

Accounts receivable. During the normal course of business, the Company extends unsecured credit to its customers. Management reviews its accounts receivable each reporting period to determine if the allowance for doubtful accounts is adequate. An estimate for doubtful accounts is recorded when collection of the full amount is no longer probable. The Company's reserves are consistent with its historical experience and considered adequate by management.

The ultimate collection of the Company's accounts receivable may take more than one year, and any portion of accounts receivable expected to be collected in more than one year is reflected as non-current, net of allowance for doubtful accounts relating to that portion of receivables. The bifurcation between current and non-current portions of accounts receivable is based on management's estimate and predicated on historical collection experience.

Value added tax. Enterprises or individuals who sell commodities, engage in repair and maintenance or import and export goods in the PRC are subject to a VAT. The standard VAT rate is 6% of gross sales for the Company's industry. A credit is available whereby VAT paid on the purchases of raw materials used in the production of the Company's finished products can be used to offset the VAT due on sales of finished products. Due to the fact that the Company uses recycled raw materials to manufacture its products, the State Administration of Taxation has granted the Company VAT Tax Exemption from August 2005 through to August 2009 and a two year tax (VAT) credit extension from August 2009 through August 2011. For the year ended June 30, 2009 and 2008, \$2,109,290 and \$1,586,192 respectively, was recognized as other subsidy income from VAT taxes collected.

Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements

In December 2007, the FASB issued SFAS 141R, "Business Combinations," which replaced SFAS 141. SFAS 141R retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in the purchase accounting as well as requiring the expensing of acquisition-related costs as incurred. Furthermore, SFAS 141R provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for fiscal years beginning on or after December 15, 2008. Earlier adoption is prohibited. The adoption of this statement is not expected to have any material impact on the Company's consolidated results of operations or consolidated financial position.

In December 2007, the FASB issued SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51." SFAS 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It is intended to eliminate the diversity in practice regarding the accounting for transactions between equity and noncontrolling interests by requiring that they be treated as equity transactions. Further, it requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. SFAS 160 also establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation, requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated, requires expanded

disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent's owners and the interests of the noncontrolling owners of a subsidiary, among others. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008, with early adoption permitted, and it is to be applied prospectively. SFAS 160 is to be applied prospectively as of the beginning of the fiscal year in which it is initially applied, except for the presentation and disclosure requirements, which must be applied retrospectively for all periods presented. The SFAS 160 is not expected to have any material impact on the Company's consolidated financial position or consolidated results of operations.

In February 2008, the FASB issued FSP FAS 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13." FSP FAS 157-1 indicates that it does not apply under SFAS 13, "Accounting for Leases," and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS 13. This scope exception does not apply to assets acquired and liabilities assumed in a business combination that are required to be measured at fair value under SFAS 141 or SFAS 141R, regardless of whether those assets and liabilities are related to leases.

Also in February 2008, the FASB issued FSP FAS 157-2, "Effective Date of FASB Statement No. 157." With the issuance of FSP FAS 157-2, the FASB agreed to: (a) defer the effective date in SFAS 157 for one year for certain nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), and (b) remove certain leasing transactions from the scope of SFAS 157. The deferral is intended to provide the FASB time to consider the effect of certain implementation issues that have arisen from the application of SFAS 157 to these assets and liabilities.

In March 2008, the FASB issued SFAS 161, “Disclosures about Derivative Instruments and Hedging Activities – An Amendment of SFAS No. 133.” SFAS 161 is intended to improve financial reporting of derivative instruments and hedging activities by requiring enhanced disclosures to enable financial statement users to better understand the effects of derivatives and hedging on an entity's financial position, financial performance and cash flows. To achieve this increased transparency, SFAS 161 requires (1) the disclosure of the fair value of derivative instruments and gains and losses in a tabular format; (2) the disclosure of derivative features that are credit risk-related; and (3) cross-referencing within the footnotes. SFAS 161 is effective on January 1, 2009. The Company has adopted SFAS 161.

In June 2008, the FASB issued EITF 07-5, “Determining whether an Instrument (or Embedded Feature) is indexed to an Entity’s Own Stock.” EITF 07-5 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early application is not permitted. Paragraph 11(a) of SFAS 133 specifies that a contract that would otherwise meet the definition of a derivative but is both (a) indexed to the Company’s own stock and (b) classified in stockholders’ equity in the statement of financial position would not be considered a derivative financial instrument. EITF 07-5 provides a new two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer’s own stock and thus able to qualify for the SFAS 133 paragraph 11(a) scope exception. This standard triggers liability accounting on all options and warrants exercisable at strike prices denominated in any currency other than the functional currency in China (Renminbi). The Company will adopt EITF 07-5 effective July 1, 2009.

In June 2008, the FASB issued FSP EITF 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities,” to address the question of whether instruments granted in share-based payment transactions are participating securities prior to vesting. FSP EITF 03-6-1 indicates that unvested share-based payment awards that contain rights to dividend payments should be included in earnings per share calculations. The guidance will be effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the requirements of FSP EITF 03-6-1 and the impact that its adoption will have on the consolidated results of operations or consolidated financial position.

In October 2008, the FASB issued FSP FAS 157-3, “Determining the Fair Value of a Financial Asset in a Market That Is Not Active,” which clarifies the application of SFAS 157 when the market for a financial asset is inactive. Specifically, FSP FAS 157-3 clarifies how (1) management’s internal assumptions should be considered in measuring fair value when observable data are not present, (2) observable market information from an inactive market should be taken into account, and (3) the use of broker quotes or pricing services should be considered in assessing the relevance of observable and unobservable data to measure fair value. The Company is currently evaluating the impact of adoption of FSP FAS 157-3 on the Company’s consolidated financial statements.

In April 2009, the FASB issued FSP FAS 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly.” FSP FAS 157-4 amends SFAS 157 and provides additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased and also includes guidance on identifying circumstances that indicate a transaction is not orderly for fair value measurements. FSP FAS 157-4 shall be applied prospectively with retrospective application not permitted. FSP FAS 157-4 shall be effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity early adopting FSP FAS 157-4 must also early adopt FSP FAS 115-2 and 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments”. Additionally, if an entity elects to early adopt either FSP FAS 107-1 and 28-1, “Interim Disclosures about Fair Value of Financial Instruments” or FSP FAS 115-2 and 124-2, it must also elect to early adopt this FSP. The Company has determined that this new FSP did not have a material impact on the consolidated financial statements.

In April 2009, the FASB issued FSP FAS 115-2 and 124-2. FSP FAS 115-2 amends SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," SFAS 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations," and EITF 99-20, "Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets," to make the other-than-temporary impairments guidance more operational and to improve the presentation of other-than-temporary impairments in the financial statements. This FSP will replace the existing requirement that the entity's management assert it has both the intent and ability to hold an impaired debt security until recovery with a requirement that management assert it does not have the intent to sell the security, and it is more likely than not it will not have to sell the security before recovery of its cost basis. This FSP provides increased disclosure about the credit and noncredit components of impaired debt securities that are not expected to be sold and also requires increased and more frequent disclosures regarding expected cash flows, credit losses, and an aging of securities with unrealized losses. Although this FSP does not result in a change in the carrying amount of debt securities, it does require that the portion of an other-than-temporary impairment not related to a credit loss for a held-to-maturity security be recognized in a new category of other comprehensive income and be amortized over the remaining life of the debt security as an increase in the carrying value of the security. This FSP shall be effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity may early adopt this FSP only if it also elects to early adopt FSP FAS 157-4. Also, if an entity elects to early adopt either FSP FAS 157-4 or FSP FAS 107-1 and 28-1, the entity also is required to early adopt this FSP. The Company does not expect this new FSP to have a material impact on the consolidated financial statements.

In April 2009, the FASB issued FSP FAS 107-1 and 28-1. This FSP amends SFAS 107, to require disclosures about fair value of financial instruments not measured on the balance sheet at fair value in interim financial statements as well as in annual financial statements. Prior to this FSP, fair values for these assets and liabilities were only disclosed annually. This FSP applies to all financial instruments within the scope of SFAS 107 and requires all entities to disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments. This FSP shall be effective for interim periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity may early adopt this FSP only if it also elects to early adopt FSP FAS 157-4 and 115-2 and 124-2. This FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption. The Company is currently evaluating the disclosure requirements of this new FSP.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events," which is effective for interim or annual financial periods ending after June 15, 2009. SFAS No. 165 establishes general standards of accounting and disclosure of events that occur after the balance sheet but before financial statements are issued or are available to be issued. However, since the Company is a public entity, management is required to evaluate subsequent events through the date that financial statements are issued and disclose the date through which subsequent events have been evaluated, as well as the date the financial statements were issued. SFAS No. 165 was adopted for the year ended June 30, 2009. Subsequent events have been evaluated through September 18, 2009, the date the consolidated financial statements were issued as further discussed in EITF Topic No. D-86.

In June 2009, the FASB issued SFAS 168, "The FASB Accounting Standards CodificationTM and the Hierarchy of Generally Accepted Accounting Principles a Replacement of FASB Statement No. 162" ("SFAS 168"). This Standard establishes the FASB Accounting Standards CodificationTM (the "Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. The Codification is effective for interim and annual periods ending after September 15, 2009, and as of the effective date, all existing accounting standard documents will be superseded. The Codification is effective in the third quarter of 2009, and accordingly, the Quarterly Report on Form 10-Q for the quarter ending September 30, 2009 and all subsequent public filings will reference the Codification as the sole source of authoritative literature.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our stockholders.

PRC Taxation

Our subsidiary, China-ACMH and its variable interest entity, Xin Ao, are governed by the Income Tax Law of the People's Republic of China concerning Foreign Investment Enterprises ("FIE") and Foreign Enterprises and various local income tax laws (the Income Tax Laws).

Xin Ao has been using recycled raw materials in its production since its inception which entitled us to an income tax exemption from January 1, 2003 through December 31, 2007 and an income tax reduction from 25% to 15% from January 1, 2009 through December 31, 2011 as granted by the State Administration of Taxation, PRC. The renewal certificate was awarded based on the company's involvement in producing high-tech products, its research and development, as well as its technical services.

On March 16, 2007, the National People's Congress of the PRC passed the new EIT Law, which took effect as of January 1, 2008. Under the new EIT Law, an enterprise established outside of the PRC with "de facto management bodies" within the PRC is considered a resident enterprise and will normally be subject to the enterprise income tax at the rate of 25% on its global income. The new EIT Law, however, does not define the term "de facto management bodies." If the PRC tax authorities subsequently determine that we should be classified as a resident enterprise, then our global income will be subject to PRC income tax at a tax rate of 25%. In addition, under the new EIT Law, dividends from our PRC subsidiaries to us will be subject to a withholding tax. The rate of the withholding tax has not yet been finalized, pending promulgation of implementing regulations. Furthermore, the ultimate tax rate will be determined by treaty between the PRC and the tax residence of the holder of the PRC subsidiary. The new EIT Law imposes a unified income tax rate of 25% on all domestic-invested enterprises and FIEs, such as our PRC operating subsidiaries, unless they qualify under certain limited exceptions, but the EIT Law permits companies to continue to enjoy their existing preferential tax treatments until such treatments expire in accordance with their current terms. Because the Company's operating subsidiary, Xin Ao's use of recycled raw materials in its production since its inception entitled the Company to an income tax exemption from January 1, 2003, through to December 31, 2007 and an income tax reduction from 25% to 15% from January 1, 2009 to December 31, 2011 as granted by the State Administration of Taxation of the PRC. The income tax exemption granted to the Company was eliminated after December 31, 2007. Beginning January 1, 2008, the new Chinese Enterprise Income Tax law, or EIT, replaced the existing laws for Domestic Enterprises, or DES, and Foreign Invested Enterprises, or FIEs. Effective January 1, 2009, the China-ACM new reduced EIT rate of 15% replaced the existing rates of 25% currently applicable to both DES and FIEs.

Interest Rate Risk

At times when we have short-term loans outstanding, we are exposed to interest rate risk due primarily to our short-term bank loans. Although the interest rates for our short-term loans are typically fixed for the terms of the loans, the terms are typically twelve months and interest rates are subject to change upon renewal. In a response to a slowdown in the Chinese economy and the global economic slowdown, The Chinese central bank cut rates five times in year 2008. The new interest rates are approximately 5.31% for Renminbi bank loans with a term of 12 months. The change in interest rates has minimum impact on our bank loans. The Company also paid off its short term bank loan balance with Beijing International Trust Co, Ltd. in July 2009 for approximately \$4.4 million dollars. We monitor interest rates in conjunction with our cash requirements to determine the appropriate level of debt balances relative to other sources of funds.

Credit Risk

The Company is exposed to credit risk from its cash in bank and fixed deposits and bills and accounts receivable. The credit risk on cash in bank and fixed deposits is limited because the counterparties are recognized financial institutions. Bills and accounts receivable are subjected to credit evaluations. An allowance has been made for estimated irrecoverable amounts which have been determined by reference to past default experience and the current economic environment.

Foreign Exchange Risk

The value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions. Since July 2005, the Renminbi has no longer been pegged to the U.S. Dollar. Although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future, PRC authorities may lift restrictions on fluctuations in the Renminbi exchange rate and lessen intervention in the foreign exchange market.

Because substantially all of our earnings and cash assets are denominated in Renminbi, but our reporting currency is the U.S. dollar, fluctuations in the exchange rate between the U.S. dollar and the Renminbi will affect our balance sheet and our earnings per share in U.S. dollars. In addition, appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. Fluctuations in the exchange rate will also affect the relative value of any dividend we issue in the future that will be exchanged into U.S. dollars and earnings from, and the value of, any U.S. dollar-denominated investments we make in the future.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our foreign currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currencies.

Most of the transactions of the Company are settled in Renminbi and U.S. dollars. In the opinion of the directors, the Company is not exposed to significant foreign currency risk.

Inflation

Inflationary factors, such as increases in the cost of raw materials and overhead costs, could impair our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of sales revenue if the selling prices of our products do not increase with these increased costs.

Company's Operations are Substantially in China

Substantially all of our operations are conducted in China and are subject to various political, economic, and other risks and uncertainties inherent in conducting business in China. Among other risks, the Group's operations are subject to the risks of restrictions on transfer of funds; export duties, quotas, and embargoes; domestic and international customs and tariffs; changing taxation policies; foreign exchange restrictions; and political conditions and governmental regulations. Additional information regarding such risks can be found under the heading "Risk Factors" located elsewhere in this report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable.

Item 8. Financial Statements and Supplementary Data

The full text of our audited consolidated financial statements as of June 30, 2009 and 2008 begins on page F-1 of this Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A(T). Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer (our president) and our principal accounting and financial officer (our chief financial officer) to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management does not expect that our disclosure controls or our internal controls over financial reporting will prevent all error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, but no absolute, assurance that the objectives of a control system are met. Further, any control system reflects limitations on resources, and the benefits of a control system must be considered relative to its costs. These limitations also include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of a control. A design of a control system is also based upon certain assumptions about potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

As of June 30, 2009, the year end period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and our principal accounting officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our president and our chief financial officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this annual report.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act. Our management is also required to assess and report on the effectiveness of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404"). Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2009. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework.

Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected in a timely manner. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation.

A material weakness (within the meaning of PCAOB Auditing Standard No. 5) is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2009. Management identified significant deficiencies related to the following:

1. Lack of internal audit function – Although we maintain internal audit department, the scope and effectiveness goals of internal audit function have not been identified. Due to this weakness, we may be ineffective in timely prevention or detection of errors in the recording of accounting transactions, which may have a material impact on our financial statements.
2. Lack of integrated operating and accounting system – Although we have operating and accounting systems in place, certain functions and procedures in both our operating and accounting systems are not fully developed and the two systems are not adequately integrated. Some process in the accounting and system operations are currently done manually in order to complete a normal business transaction cycles even though reconciliation processes are properly performed and supervised. The processes are not efficient and are in risk of potential human errors.

Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2009. Management identified material weakness related to the following:

1. Financial statements closing process – There was a material weakness in the process of closing and consolidating our financial statements which resulted from the fact that the work of our chief financial officer in this process (starting with processing the trial balance, through the evaluation and implementation of policies and accounting issues, until the complete production of consolidated financial statements) is not reviewed by anyone else.
2. Equity instruments – There was a material weakness in the process related to evaluating certain debt and equity transactions and the accounting treatment for these non-frequent transactions. We have restated our June 30, 2008 for the reporting of Series A Convertible Preferred Stock, which was issued in a private placement on June 11, 2008.

In light of the foregoing material weaknesses, our management has concluded that our internal control over financial reporting was not effective as of June 30, 2009. Our ineffective internal control over financial reporting could result in material misstatements in our annual or interim financial statements that would not be prevented or detected. However, nothing has come to the attention of management that causes them to believe that any material inaccuracies or errors exist in our financial statements as of June 30, 2009.

In order to correct the foregoing deficiencies, we have taken the following remediation measures:

1. The Company will continue to enhance its internal audit department functions by providing more staff and internal audit trainings. The company has recently added two more independent audit committee members, making the total of the audit committee members to three. We believe the audit committee will continue to strengthen our internal control oversight.
2. The Company has evaluated new operating and accounting systems which can replace and upgrade our current systems and become one complete ERP system. The new operating system will have comprehensive operating functions and will be able to bridge into our accounting system automatically. Once we complete upgrading our

system implementation, both operating systems and accounting system will be operated without much human intervention. The new operating and accounting systems will enhance our internal controls and will elevate our operating efficiency when they are completely implemented.

3. We will hire independent consultants to evaluate our debt / equity transactions in the future.

We believe that the foregoing steps will remediate the significant deficiency identified above, and we will continue to monitor the effectiveness of these steps and make any changes that our management deems appropriate.

Changes in Internal Controls over Financial Reporting

Except as described above, there were no changes in our internal controls over financial reporting during fiscal year 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following individuals serve as the directors and executive officers of our company as of the date of this annual report. All directors of our company hold office until the next annual meeting of our shareholders or until their successors have been elected and qualified. The executive officers of our company are appointed by our board of directors and hold office until their death, resignation or removal from office.

Name	Age	Position
Xianfu Han	50	Chairman, Chief Executive Officer and Director
Weili He	52	Chief Operating Officer, Vice Chairman and Director
Chin Hsiao	46	Chief Financial Officer, Director
Jeremy Goodwin	36	Director
Denis Slavich	69	Director
Shaojian (Sean) Wang	45	Director
Larry Goldman	53	Director

Xianfu Han. Mr. Han became our Chairman and Chief Executive Officer on April 29, 2008. From January 2003 to present, Mr. Han has worked with Xin Ao as Chairman of the Board of Directors. His main responsibilities include daily board leadership and strategy initiatives. Since November 2002, Mr. Han has been Chairman at Beijing Tsinghua University Management School's Weilun Club. His responsibilities involve daily management work. From January 2001 to March 2007, Mr. Han acted as Executive Vice Chairman of the Beijing Concrete Association. His primary functions involved public relations and communication with various governmental and agencies. Mr. Han is a senior engineer with over 25 years of management experience in the building material industry. He contributed to the draft of the "Local Standard of Mineral Admixtures" regulations and was responsible for the "Research and Application of Green High Performance Concrete" published by the Ministry of Construction.

Mr. Han graduated in 1995 from the Tsinghua University executive MBA program. Mr. Han received his Bachelor degree in engineering management in 1992 from Northern China University of Technology.

Weili He. Mr. He became our Vice-Chairman and Chief Operating Officer on April 29, 2008. From August 2007 to present, Mr. He has worked as Vice Chairman of the Board of Directors of Xin Ao. His primary responsibility is large client development. From January 2003 to August 2007, Mr. He worked as Chairman of the Board of Directors of Beijing Xinhang Construction Materials Co., Ltd. His primary responsibilities included strategic planning. Since 2007, Mr. He has served as a Vice Chairman of the Beijing Concrete Associations. His primary functions include market research. Mr. He has extensive construction and concrete engineering experience in China and Japan on numerous high profile projects. His primary expertise is plant management and operations. Mr. He received a bachelor's degree in law from Party School of the Central Committee of C.P.C.

Chin Hsiao. Mr. Hsiao became our Chief Financial Officer on December 1, 2008. Prior to his appointment with us, Chin Hsiao served as Controller of Milligan and Company, LLC from 2000 to 2008, where he managed the overall accounting and financial reporting functions as well as the company's internal control processes. From 1997 to 1999, he served as Finance Manager for J&J Snack Foods Corporation where he was responsible for financial reporting and SEC schedule preparation. From 1995 to 1997, he served as Accounting Supervisor of RCN Corporation and as the Senior Operation Analyst at ARAMARK Corporation from 1992 to 1995. Mr. Hsiao has over 15 years of experience in corporate finance and management.

Mr. Hsiao received his B.S. degree from Drexel University in Philadelphia, and he is also a certified public accountant in the U.S.

Jeremy Goodwin. Mr. Goodwin became a member of our Board of Directors as of October 6, 2008. He has extensive experience in finance advising multi-national and Asian companies on key corporate initiatives such as M&A, debt and equity financing, restructuring, privatization and business expansion. Since 2006, Mr. Goodwin has been Managing Partner of 3G Capital Partners, a corporate finance advisory firm, and was a Vice President of Global Capital Group Enterprises, from 2002 to 2005 where he and his team advised Changzhou Xingrong Copper on its \$20 million sale to Mueller Industries, Inc. From 1999 to 2001, Mr. Goodwin was with the ING Beijing Investment arm of Baring Private Equity Partners in Hong Kong. In addition, from 1997 to 1998, Mr. Goodwin worked at ABN Amro in Beijing, where he assisted notable clients such as Royal Dutch Shell Oil and Beijing Capital International Airport with its listing on the Hong Kong stock exchange.

Mr. Goodwin began his career at Mees Pierson Investment Finance S.A., a Geneva based investment fund private placement firm. He earned a Bachelor of Science degree from Cornell University and is fluent in Mandarin.

Mr. Goodwin serves as a member of our Audit Committee and Nominating and Governance Committee, and as chairman of our Compensation Committee..

Denis Slavich Denis Slavich became a member of our Board of Directors on August 11, 2009. Mr. Slavich has extensive experience in the areas of engineering, management and finance, including his service from 1971 to 1991 in various executive positions at Bechtel Corporation, Inc. including Sr. VP, CFO, and director, Sr. VP and manager of the International Power Division and project manager for Bechtel's operations at the Lawrence Livermore National Laboratory. From 1995 to 1996, Mr. Slavich served as the CFO for Morrison Knudsen Corporation, an Idaho-based construction company. From 1998 to 2000 Mr. Slavich was the CFO and director of KMR Power Corporation and was responsible for the development of an international IPP company that developed projects in Columbia as well as other areas. From 2000 until 2002, he served as Vice President and CFO of BigMachines Inc., a software company. Mr. Slavich also served as acting President for Kellogg Development Corporation, a division of M.W. Kellogg, during 1997. From 1991 to 1995, Mr. Slavich was also a Vice President of Marketing for Fluor Daniel. Since 2001, Mr. Slavich has served as the Chairman, and since 2008 as CEO, for Leading Edge Technologies in Dubai, UAE, a company engaged in the development of water desalinization technologies. He is also currently an advisor and board member for a number of additional firms, including Synthesis Energy Systems, Inc. (Nasdaq: SYMX), for which he serves as the chairman of the audit committee of the board of directors. Mr. Slavich received his Ph.D. from Massachusetts Institute of Technology, his M.B.A. from the University of Pittsburgh and his B.S. in Electrical Engineering from the University of California at Berkeley.

Mr. Slavich serves as a member of our Audit Committee, Compensation Committee and Nominating and Governance Committee.

Shaojian (Sean) Wang. Sean Wang became a member of our Board of Directors on August 11, 2009. Mr. Wang has over 20 years of management and finance experience working with both U.S. and China-based companies. Since June 2008, Mr. Wang has served as executive director and CFO of SOHO China, Ltd., a developer of commercial buildings in central Beijing, and is responsible for financial and fiscal management of the company's operations. From April 2006 to June 2008, Mr. Wang served as President and COO for Hurray! Holding Co., Ltd., a provider of wireless value added services and music and music-related products to mobile users in China. From May 2004 to March 2006, Mr. Wang served as COO and CFO for Opta Corporation, a California- based electronics company. Mr. Wang holds an MBA from the Carlson School of Management at the University of Minnesota, a Bachelor of Science degree from the Chinese Exchange Student Program, Economics from Hamline University in Minnesota and a degree in National Economic Management from Beijing University in China. Mr. Wang is fluent in both English and Mandarin Chinese.

Mr. Wang serves as a member of our Compensation Committee and as chairman of our Nominating and Governance Committee.

Larry Goldman. Larry Goldman became a member of our Board of Directors on August 11, 2009. Mr. Goldman is a Certified Public Accountant, with over 20 years of auditing, consulting and technical SEC reporting experience. Mr. Goldman served from May 2006 to October 2007, as Acting CFO, and currently as a financial consultant, for Thorium Power, Ltd. (OTCBB: THPW), a nuclear fuels development company. Prior to joining Thorium Power, Ltd., Mr. Goldman served as the CFO and VP of Finance for WinWin Gaming, Inc. (OTCBB: WNNW), a multi-media developer and publisher of sports, lottery and other games. Prior to joining WinWin in October 2004, Mr. Goldman was a partner at Livingston Wachtell & Co., LLP and had been with that firm for the previous 19 years. Mr. Goldman is also an independent director and audit committee chairman for Winner Medical Group Inc. (OTCBB: WMDG), a China based manufacturer of medical disposable products and surgical dressings, Wonder Auto Tech, Inc. (Nasdaq: WATG), a leading manufacturer of automotive electrics, suspension products and engine accessories in China, and China Bio Energy Holding Co., Ltd., a bio-diesel company in China. Mr. Goldman has extensive experience in both auditing and consulting with Chinese public companies, working in the Asian marketplace since 2000, and he

frequently travels to China. He currently provides various CFO consulting and SEC reporting support to a number of other Chinese companies listed in the United States. Mr. Goldman holds a Bachelor of Science degree in Accounting from the State University of New York at Oswego and a Masters of Science degree in Taxation from Pace University.

Mr. Goldman serves as the chairman of our Audit Committee.

CORPORATE GOVERNANCE

Our current corporate governance practices and policies are designed to promote stockholder value and we are committed to the highest standards of corporate ethics and diligent compliance with financial accounting and reporting rules. Our Board provides independent leadership in the exercise of its responsibilities. Our management oversees a system of internal controls and compliance with corporate policies and applicable laws and regulations, and our employees operate in a climate of responsibility, candor and integrity.

The Board and Committees of the Board

The Company is governed by the Board that currently consists of seven members as identified above. On August 7, 2009, the Board established three committees: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. Each of these committees are comprised entirely of independent directors. From time to time, the Board may establish other committees. The Board has adopted a written charter for each of the committees which may be obtained, without charge, by contacting the Corporate Secretary, China Advanced Construction Materials Group, Inc., Yingu Plaza, 9 Beisihuanxi Road, Suite 1708, Haidian District, Beijing 100080 PRC.

Prior to establishing the committees of the Board of Directors, our entire Board of Directors handled the functions that would otherwise be handled by each of the committees.

Independent Directors

Our Board has determined that the majority of the Board is comprised of “independent directors” within the meaning of applicable Nasdaq listing standards relating to Board composition and Section 301 of the Sarbanes-Oxley Act of 2002. Our independent directors are Messrs. Goodwin, Slavich, Wang and Goldman.

Audit Committee

Our audit committee consists of Messrs. Goldman, Goodwin and Slavich, each of whom is “independent” as that term is defined under the Nasdaq listing standards. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. Mr. Goldman serves as our audit committee financial expert as that term is defined by the applicable SEC rules. The audit committee is responsible for, among other things:

- selecting our independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by our independent auditors;
- reviewing with our independent auditors any audit problems or difficulties and management’s response;
- reviewing and approving all proposed related-party transactions, as defined in Item 404 of Regulation S-K under the Securities Act of 1933, as amended;
- discussing the annual audited financial statements with management and our independent auditors;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of significant internal control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and our internal and independent auditors; and
- reporting regularly to the full board of directors; and
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time.

Compensation Committee

Our compensation committee consists of Messrs. Goodwin, Slavich and Wang, each of whom is “independent” as that term is defined under the Nasdaq listing standards. Our compensation committee assists the board in reviewing and approving the compensation structure of our directors and executive officers, including all forms of compensation to be provided to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- approving and overseeing the compensation package for our executive officers;
- reviewing and making recommendations to the board with respect to the compensation of our directors;
- reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer, evaluating the performance of our chief executive officer in light of those goals and objectives, and setting the compensation level of our chief executive officer based on this evaluation; and

reviewing periodically and making recommendations to the board regarding any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

The compensation committee has sole authority to retain and terminate outside counsel, compensation consultants retained to assist the compensation committee in determining the compensation of the Chief Executive Officer or senior executive officers, or other experts or consultants, as it deems appropriate, including sole authority to approve the firms' fees and other retention terms. The compensation committee may also form and delegate authority to subcommittees and may delegate authority to one or more designated members of the compensation committee. The compensation committee may from time to time seek recommendations from the executive officers of the Company regarding matters under the purview of the compensation committee, though the authority to act on such recommendations rests solely with the compensation committee.

Governance and Nominating Committee

Our governance and nominating committee consists of Messrs. Goodwin, Slavich and Wang, each of whom is “independent” as that term is defined under the Nasdaq listing standards. The governance and nominating committee assists the board of directors in identifying individuals qualified to become our directors and in determining the composition of the board and its committees. The governance and nominating committee is responsible for, among other things:

- identifying and recommending to the board nominees for election or re-election to the board, or for appointment to fill any vacancy;
- reviewing annually with the board the current composition of the board in light of the characteristics of independence, age, skills, experience and availability of service to us;
- identifying and recommending to the board the directors to serve as members of the board’s committees; and
- monitoring compliance with our code of business conduct and ethics.

Family Relationships

There is no family relationship among any of our officers or directors.

Involvement in Certain Legal Proceedings

To the best of our knowledge, none of our directors or executive officers has been convicted in a criminal proceeding, excluding traffic violations or similar misdemeanors, or has been a party to any judicial or administrative proceeding during the past five years that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws, except for matters that were dismissed without sanction or settlement. Except as set forth in our discussion below in “Certain Relationships and Related Transactions,” none of our directors, director nominees or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

Code of Business Conduct and Ethics

We currently do not have a code of ethics that applies to our officers, employees and directors, including our Chief Executive Officer and senior executives.

Item 11. Executive Compensation

Summary Compensation Table— Fiscal Years Ended June 30, 2008 and 2009

The following table sets forth information concerning all cash and non-cash compensation awarded to, earned by or paid to the named persons for services rendered in all capacities during the noted periods. No other executive officers received total annual salary and bonus compensation in excess of \$100,000 during the fiscal years ended June 30, 2008 and 2009.

Name and Principal Position (1)	Year Ended June 30	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation Earnings (\$)	Non- Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Xianfu Han Chairman and CEO (2)	2008	110,719	67,620	-	-	-	-	-	178,339
	2009	140,000	-	-	-	-	-	-	140,000
Weili He, Vice Chairman and COO	2008	-	-	-	-	-	-	-	-
	2009	109,342	-	-	-	-	-	-	109,342

(1) While our chief financial officer, Chin Hsiao has employment agreements which provide for compensation in excess of \$100,000, his actual compensation during the fiscal years ended June 30, 2008 or 2009 was not in excess of \$100,000.

(2) In connection with the reverse acquisition of BVI-ACM on April 29, 2008, Mr. Han was elected as our Chairman and Chief Executive Officer effective immediately.

Employment Agreements

In connection with the reverse acquisition of BVI-ACM on April 29, 2008, Mr. Han was elected as our Chairman and Chief Executive Officer effective immediately. On May 1, 2008, we entered into a three year Employment Agreement with Mr. Han pursuant to which he will receive an annual salary of \$140,000 for service as our Chief Executive Officer.

Upon termination of Mr. Han's employment because of death, disability or for cause, the Company will pay or provide to Mr. Han or his estate, as the case may be (i) any unpaid base salary and any accrued vacation through the date of termination; (ii) any unpaid annual bonus accrued with respect to the fiscal year ending on or preceding the date of termination; (iii) reimbursement for any unreimbursed expenses properly incurred through the date of termination; and (iv) all other payments or benefits to which Mr. Han may be entitled under the terms of any applicable employee benefit plan, program or arrangement.

Upon the termination of Mr. Han's employment by the Company without cause, the Company will pay or provide to Mr. Han (i) all amounts due as if Mr. Han's employment were terminated because of death, disability or for cause, and (ii) subject to Mr. Han's execution (and non-revocation) of a general release of claims against the Company and its affiliates in a form reasonably requested by the Company, (a) continued payment of his base salary for two months after termination, payable in accordance with the regular payroll practices of the Company, but off the payroll; and (b) payment of his cost of continued medical coverage for two (2) months after termination (subject to his co-payment of the costs in the same proportion as such costs were shared immediately prior to the date of termination). Payments provided under this Section 6(d) shall be in lieu of any termination or severance payments or benefits for which Mr. Han may be eligible under any of the plans, policies or programs of the Company.

Outstanding Equity Awards at Fiscal Year End

None.

Compensation of Directors

During the 2008 and 2009 fiscal years, only one member of our board of directors received any compensation solely for service as a director during fiscal year 2009.

On October 3, 2008, we entered into a one year director agreement with Mr. Goodwin in connection with his service as a member of our board of directors. The agreement provides for a monthly fee of \$3,500 and stock options to purchase an aggregate of 50,000 shares of our common stock at an exercise price of \$2.90 per share. The options vest in equal quarterly installments over the first twelve months of the agreement.

On August 11, 2009, each of Messrs. Slavich, Wang and Goldman entered into director agreements with the Company pursuant to which each will receive, annually, a fee of \$25,000 in cash and 10,000 restricted shares of the Company's common stock, which shall vest in four equal quarterly installments.

Compensation Committee Interlocks and Insider Participation

During the last fiscal year we did not have a standing Compensation Committee. The Board was responsible for the functions that would otherwise be handled by the compensation committee.

Indemnification of Directors and Executive Officers and Limitation of Liability

The General Corporation Law of Delaware, Section 102(b)(7) provides that directors, officers, employees or agents of Delaware corporations are entitled, under certain circumstances, to be indemnified against expenses (including attorneys' fees) and other liabilities actually and reasonably incurred by them in connection with any suit brought against them in their capacity as a director, officer, employee or agent, if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, if they had no reasonable cause to believe their conduct was unlawful. This statute provides that directors, officers, employees and agents may also be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by them in connection with a derivative suit brought against them in their capacity as a director, if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made without court approval if such person was adjudged liable to the corporation

At the present time, there is no pending litigation or proceeding involving a director, officer, employee or other agent of ours in which indemnification would be required or permitted. We are not aware of any threatened litigation or proceeding which may result in a claim for such indemnification.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of September 23, 2009, certain information with respect to the beneficial ownership of our common shares by each shareholder known by us to be the beneficial owner of more than 5% of our common shares, as well as by each of our current directors and executive officers as a group. Each person has sole voting and investment power with respect to the shares of common stock, except as otherwise indicated. Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934 and does not necessarily bear on the economic incidents of ownership or the rights to transfer the shares described below. Unless otherwise indicated, (a) each stockholder has sole voting power and dispositive power with respect to the indicated shares and (b) the address of each stockholder who is a director or executive officer is c/o Yingu Plaza, #1708, 9 Beisihuanxi Road, Haidian District, Beijing 100080, China.

		Amount and Nature of Beneficial Ownership(1)				
Name & Address of Beneficial Owner		Common Stock		Series A Convertible Preferred Stock(2)		Total Voting Power(3)
		% of	% of	% of	% of	
Office, If Any	Shares	Class	Shares	Class		
Officers and Directors						
Xianfu Han	Chairman and CEO	5,285,750	49.89%	-	-	37.76%
Weile He	Vice Chairman and COO	3,523,833	33.26%	-	-	25.17%
Chin Hsiao	CFO	-	-	-	-	-
Jeremy Goodwin	Director	-	-	-	-	-
Denis Slavich	Director	-	-	-	-	-
Sean Wang	Director	-	-	-	-	-
Larry Goldman	Director	-	-	-	-	-
All officers and directors as a group (4 persons named above)		8,809,583	83.15%	-	-	62.93%

5% Security Holders						
Xianfu Han (4)	Chairman and CEO	5,285,750	49.89%	-	-	37.76%
Weile He (5)	Vice Chairman and COO	3,523,833	33.26%	-	-	25.17%
Professional Offshore Opportunity Fund LTD (6)	-	-	-	312,500	35.71%	8.93%
Whitebox Intermarket Partners LP (7)	-	-	-	125,000	14.29%	3.57%
Professional Traders Fund (8)	-	-	-	62,500	7.14%	1.79%
Jayhawk Private Equity Fund II, L.P. (9)	-	-	-	62,500	7.14%	1.79%

- (1) Beneficial Ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Each of the beneficial owners listed above has direct ownership of and sole voting power and investment power with respect to the shares of our common stock.
- (2) Shares of Series A Preferred Stock, which are convertible into shares of our common stock on the basis of 4 shares of common stock for each share of Series A Preferred Stock. Holders of Series A Preferred Stock vote with the holders of Common Stock on all matters on an as converted to common stock basis. Therefore, each share of Series A Preferred Stock is entitled to 4 votes per share whereas each share of common stock is entitled to one vote per share. 851,125 shares of Series A Preferred Stock are currently issued and outstanding.
- (3) Percentage total voting power represents voting power with respect to all shares of our common stock and Series A Preferred Stock, on an as-converted basis, as a single class. As of June 30, 2009, a total of 10,595,500 shares of our common stock and 851,125 shares of our Series A Preferred Stock, or 3,404,500 shares of common stock on an as-converted basis, are considered to be outstanding pursuant to SEC Rule 13d-3(d)(1). For each Beneficial Owner above, any options exercisable within 60 days have been included in the denominator.
- (4) On June 11, 2008, Mr. Han entered into a Securities Escrow Agreement by and among the investors to the private placement that closed on June 11, 2008 and American Stock Transfer & Trust Company, or AST, whereby 2,100,000 shares of the Company's common stock owned by Mr. Han were placed into escrow, with AST appointed as the escrow agent. The 2,100,000 shares were thereafter transferred into the name of AST and are to be held in escrow and released to Mr. Han if the Company does, or to the investors if the Company does not, meet certain performance milestones described in the Securities Escrow Agreement. Mr. Han maintains voting power over all 2,100,000 shares until such time as any such shares are transferred to the investors, at which time, such transferred shares will be beneficially owned by such investors.
- (5) On June 11, 2008, Mr. He entered into a Securities Escrow Agreement by and among the investors to the private placement that closed on June 11, 2008 and American Stock Transfer & Trust Company, or AST, whereby 1,400,000 shares of the Company's common stock owned by Mr. He were placed into escrow, with AST appointed as the escrow agent. The 1,400,000 shares were thereafter transferred into the name of AST and are to be held in escrow and released to Mr. He if the Company does, or to the investors if the Company does not, meet certain performance milestones described in the Securities Escrow Agreement. Mr. He maintains voting power over all 1,400,000 shares until such time as any such shares are transferred to the investors, at which time, such transferred shares will be beneficially owned by such investors.
- (6) Includes 312,500 shares of Series A preferred stock that are exercisable upon exercise of preferred stock. Howard Berger and Mark Swickle have voting and investment power over the securities held by Professional Offshore Opportunity Fund LTD
- (7) Includes 125,000 shares of Series A preferred stock that are exercisable upon exercise of preferred stock. Andrew J. Redleaf is the managing member the general partner of Whitebox Intermarket Partners LP and has voting and investment power over the securities held by Whitebox Intermarket Partners LP.
- (8) Includes 62,500 shares of Series A preferred stock that are exercisable upon exercise of preferred stock. Howard Berger and Mark Swickle have voting and investment power over the securities held by Professional traders Fund.
- (9) Includes 62,500 shares of Series A preferred stock that are exercisable upon exercise of preferred stock. Ken McCarthy has voting and investment power over the securities held by Jayhawk Private Equity Fund II, L.P..

Transactions with Related Persons

The following includes a summary of transactions since the beginning of the 2006 fiscal year, or any currently proposed transaction, in which we were or are to be a participant and the amount involved exceeded or exceeds the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last three completed fiscal years, and in which any related person had or will have a direct or indirect material interest (other than compensation described under “Executive Compensation”). We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm’s-length transactions.

Reverse Acquisition Transaction

On April 29, 2008 we consummated the transactions contemplated by a share exchange agreement with the owners of all issued and outstanding capital stock of BVI-ACM, which included our Chairman and CEO, Xianfu Han, and our Vice-Chairman and COO, Weili He. Pursuant to the share exchange agreement, we acquired 100% of the outstanding capital stock of BVI-ACM in exchange for 11,500,000 shares of our common stock. As a result of this transaction, Mr. Han and Mr. He became the beneficial owners of approximately 51.5% and 33.34% of our outstanding capital stock, respectively.

Securities Escrow Agreement in connection with the Private Placement

In connection with the private placement that we closed on June 11, 2008, our Chairman and CEO, Xianfu Han, our Vice-Chairman and COO, Weili He, the Company and the investors in the private placement entered into a Make Good Agreement whereby Mr. Han and Mr. He have agreed to transfer a total of 3,500,000 shares of Common Stock to the investors on a pro rata basis in the event that the Company does not meet certain performance targets for its fiscal years ending June 30, 2008, June 30, 2009 and June 30, 2010. The performance target for the Company's fiscal year ended June 30, 2008 is the achievement of pre-tax net income of at least \$5,200,000. This target has been met. The performance target for the Company's fiscal year ended June 30, 2009 is the achievement of after-tax net income of at least \$9,000,000. The performance target for the Company's fiscal year ended June 30, 2010 is the achievement of after-tax net income equal to or greater than the Company's after-tax net income for the fiscal year ended June 30, 2009.

Beijing Concrete Institute

We paid the Beijing Concrete Institute fees of \$165,404 and \$213,430 for the years ended June 30, 2007 and 2006, respectively. The Beijing Concrete Institute is 50% owned by our Chairman and CEO, Xianfu Han and 45% by our Vice-Chairman and COO, Weili He.

On January 1, 2008, we entered into a 6 year contract with the Beijing Concrete Institute with an expiration date of December 31, 2013, whereby we will compensate the Beijing Concrete Institute based on research and development projects they complete for us on an as-needed basis. The annual project-based payment is capped at RMB 1,000,000 (approximately US \$140,000) and in return we will receive the exclusive right for technical procedures and findings as well as training for our employees. As of June 30, 2009, we have not referred any research and development projects, and have not provided any payment, to the Beijing Concrete Institute.

Related Party Loans

During the years ended June 30, 2008 and 2007 we have received loans from a number of our employees, the proceeds of which are used for working capital and general corporate purposes. The principal amounts of the loans we received in each of 2008 and 2007 are \$375,693 and \$222,235, respectively. The current outstanding balances for these loans were \$524,510 and \$117,200 for the years ended June 30, 2008 and 2009. The effective annual interest rate on the loans was 20%, and the loans mature at various times in between 2007 and 2009. The employees from whom we received loans were Xueying Ma, Xue Zhang, Ying Zhang, Changjun Guo, Wenxiang Zhang, Jianguo Zhang, Li Geng, Junping Li, Xiangrong Mao, Fie Xia, Weihong Liu, Fang Cao, Liangcai Chen, and Shixun Xu and none of the employee held a management position at the company. No one individual loaned to us in excess of \$120,000 except for Fang Cao, who loaned the Company \$145,900. For the year ended June 30, 2009, we have paid \$51,625 and \$86,883 in interest for the years ended June 30, 2008 and 2009, respectively.

Reorganization Related Transactions

BVI-ACM owns 100% of the issued and outstanding capital stock of China-ACMH. On November 28, 2007, China-ACMH entered into a series of contractual agreements with Xin Ao and its two shareholders pursuant to which China-ACMH effectively assumed management of the business activities of Xin Ao and has the right to appoint all executives and senior management and the members of the board of directors of Xin Ao. The contractual arrangements are comprised of a series of agreements which include the following:

- Exclusive Technical Consulting and Services Agreement – through which China-ACMH will provide exclusive technical consulting and services to Xin Ao for an annual fee in an amount equal to Xin Ao's yearly net income,
- Operating Agreement – through which China-ACMH has exclusive authority over all decision-making of ongoing major operations, including establishing compensation levels and hiring and firing of key personnel. In order to ensure Xin Ao's normal operation, China-ACMH agrees to act as the guarantor and provide full guarantee for Xin Ao in entering and performing contracts, agreements or transactions in association with Xin Ao's operation between Xin Ao and any other third parties. As a counter guarantee, Xin Ao agrees to mortgage all of its assets including receivables which have not been mortgaged to any third parties at the execution date of this agreement to China-ACMH.
- Equity Pledge Agreement – through which Xin Ao's Shareholders have pledged their rights, title and equity interest in Xin Ao as security for China-ACMH to collect technical consulting and services fees provided to China-ACMH.

- Option Agreement – through which Xin Ao’s shareholders have granted China-ACMH the exclusive right and option to acquire all of their equity interests in Xin Ao. The option agreement is intended to further reinforce China-ACMH’s rights to control and operate Xin Ao.
- Power of Attorney – signed by Xin Ao’s 100% shareholders Mr. Han Xianfu and Mr. He Weili, which authorize the individuals appointed by China-ACMH to exercise all of their respective voting rights as a shareholder at Xin Ao’s shareholder meetings

The term of these agreements is for ten (10) years and shall terminate automatically upon expiration, and may be extended only if China-ACMH gives its written consent of the extension prior to expiration. The parties shall, through negotiations, determine the term of any extension. During the term of the agreements, Xin Ao may not terminate the agreements except in the case of gross negligence, fraud or other illegal acts or bankruptcy of China-ACMH. China-ACMH may terminate the agreement at any time with a written notice to Xin Ao thirty days prior to such termination. Additionally, without China-ACMH’s prior written consent, Xin Ao may not assign or otherwise transfer its rights and obligations under the agreements. Subject to compliance with the Laws of China, China-ACMH may assign the agreements to any affiliate or any other designated entity without the prior consent of Xin Ao.

As all of the companies are under common control, this has been accounted for as a reorganization of entities and the financial statements have been prepared as if the reorganization had occurred retroactively. The Company consolidates Xin Ao’s results, assets and liabilities in its financial statements.

Through China-ACMH, BVI-ACM operates and controls Xin Ao through the contractual arrangements discussed above. The reasons that BVI-ACM used these contractual arrangements to acquire control of Xin Ao, instead of using a complete acquisition of Xin Ao’s assets or equity to make Xin Ao a wholly-owned subsidiary of BVI-ACM, are that (i) new PRC laws governing share exchanges with foreign entities, which became effective on September 8, 2006, make the consequences of such acquisitions uncertain; and (ii) other than by share exchange transactions, PRC law requires Xin Ao to be acquired for cash and BVI-ACM was not able to raise sufficient funds to pay the full appraised value for Xin Ao’s assets or shares as required under PRC law.

Policies and Procedures for Review, Approval or Ratification of Transactions with Related Persons

We are in the process of finalizing a written related-person transactions policy that sets forth our policies and procedures regarding the identification, review, consideration and approval or ratification of “related-persons transactions.” For purposes of our policy only, a “related-person transaction” will be a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which we and any “related person” are participants involving an amount that exceeds \$50,000. Transactions involving compensation for services provided to us as an employee, director, consultant or similar capacity by a related person will not be covered by this policy. A related person will be any executive officer, director or a holder of more than five percent of our common stock, including any of their immediate family members and any entity owned or controlled by such persons.

Under the policy, we expect that where a transaction has been identified as a related-person transaction, management must present information regarding the proposed related-person transaction to our audit committee (or, where approval by our audit committee would be inappropriate, to another independent body of our board of directors) for consideration and approval or ratification. The presentation will be expected to include a description of, among other things, the material facts, and the direct and indirect interests of the related persons, the benefits of the transaction to us and whether any alternative transactions are available. To identify related-person transactions in advance, we will rely on information supplied by our executive officers, directors and certain significant stockholders. In considering related-person transactions, our audit committee will take into account the relevant available facts and circumstances including, but not limited to:

- the risks, costs and benefits to us;
- the impact on a director's independence in the event the related person is a director, immediate family member of a director or an entity with which a director is affiliated;
- the terms of the transaction;
- the availability of other sources for comparable services or products; and
- the terms available to or from, as the case may be, unrelated third parties or to or from our employees generally.

In the event a director has an interest in the proposed transaction, the director must excuse himself or herself from the deliberations and approval. Our policy will require that, in determining whether to approve, ratify or reject a related-person transaction, our audit committee must consider, in light of known circumstances, whether the transaction is in, or is not inconsistent with, the best interests of our company and our stockholders, as our audit committee determines in the good faith exercise of its discretion. We did not previously have a formal policy concerning transactions with related persons.

Promoters and Certain Control Persons

We did not have any promoters at any time during the past five fiscal years.

Except as set forth in our discussion above, none of our directors, director nominees or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

Item 14. Principal Accounting Fees and Services

The aggregate fees billed for the most recently completed fiscal year ended June 30, 2008 and for fiscal year ended June 30, 2009 for professional services rendered by the principal accountant for the audit of our annual financial statements and review of the financial statements included in our quarterly reports on Form 10-QSB and services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for these fiscal periods were as follows:

	Years Ended	
	June 30, 2008	June 30, 2009
Audit Fees	\$ 100,000	\$ 100,000
Interim Financial Review Fees	-	60,000
Tax Fees	-	-
All Other Fees	-	14,835
Total	\$ 100,000	\$ 174,835

Our board of directors pre-approves all services provided by our independent auditors. All of the above services and fees were reviewed and approved by the board of directors either before or after the respective services were rendered.

Our board of directors has considered the nature and amount of fees billed by our independent auditors and believes that the provision of services for activities unrelated to the audit is compatible with maintaining our independent auditors' independence.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statements

(1) Financial statements for our company are listed in the index under Item 8 of this document

(2) All financial statement schedules are omitted because they are not applicable, not material or the required information is shown in the financial statements or notes thereto.

(b)

Exhibits

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Exhibit Index	Description of Document	Filed Herewith	Incorporated by Reference To:
2.1	Share Exchange Agreement by and among TJS Wood Flooring, Inc.; Xin Ao Construction Materials, Inc.; and each of the equity owners of Xin Ao Construction Materials, Inc. Shareholders, dated April 29, 2008		Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on May 5, 2008.
3.1	Articles of Incorporation of the Registrant as filed with the Secretary of State of Delaware on February 13, 2007, as amended to date.		Exhibits 3.1 and 3.1a to the Registrant's Registration Statement on Form SB-2 filed on March 26, 2007.
3.2	Amended and Restated Bylaws of the registrant.		Exhibit 3.2 to the Registrant's Registration Statement on Form SB-2 filed on March 26, 2007.
4.1	Certificate of Designation for Series A Convertible Preferred Stock		Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on June 13, 2008.
4.2	Lock-Up Agreement amongst Registrant, Xianfu Han and Weili He dated June 11, 2008		Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on June 13, 2008.
10.1	Employment Agreement with Xiangsheng Xu		Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 5, 2008.
10.2	Employment Agreement with Weili He		Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on May 5, 2008.
10.3	Employment Agreement with Xianfu Han		Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on May 5, 2008.
10.4	Employment Agreement with Alex Yao		Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 7, 2008.
10.5	Subscription Escrow Agreement between the Registrant, Maxim Group, LLC and American Stock Transfer & Trust Company as Escrow Agent dated June 11, 2008.		Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 13, 2008.
10.6	Make Good Escrow Agreement by and among the Registrant, the Investors, the Investor Representative, Xianfu Han and Weili He, and		Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on June 13, 2008.

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American Stock Transfer & Trust Company as
Escrow Agent, dated June 11, 2008

10.7	Form of Common Stock Purchase Warrant	Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on June 13, 2008.
10.8	Form of Placement Agent Stock Purchase Warrant	Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on June 13, 2008.
10.9	Escrow Agreement for IR and Dividends by and among the Registrant, the Investor Representative, Maxim Group, LLC and Anslow + Jaclin, LLP as Escrow Agent	Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on June 13, 2008.

10.10	2009 Equity Incentive Plan	Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 25, 2009.
10.11	Form of Subscription Agreement with Chinese Investors	Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 3, 2009.
10.12	Director Agreement, dated August 15, 2009, between the Company and Denis Slavich.	Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 17, 2009.
10.13	Director Agreement, dated August 15, 2009, between the Company and Sean Wang.	Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on August 17, 2009.
10.14	Director Agreement, dated August 15, 2009, between the Company and Larry Goldman.	Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on August 17, 2009.
31.1	Rule 13a-14(a)/15d-14(a) Certification — Principal Executive Officer	ü
31.2	Rule 13a-14(a)/15d-14(a) Certification — Principal Financial Officer	ü
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	ü
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	ü

AUDITED FINANCIAL STATEMENTS

CHINA ADVANCED CONSTRUCTION MATERIALS GROUP, INC.

JUNE 30, 2009 AND 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Shareholders of China Advanced Construction Materials Group, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of China Advanced Construction Materials Group, Inc. and Subsidiaries (the “Company”) as of June 30, 2009 and 2008, and the related consolidated statements of income and other comprehensive income, shareholders’ equity, and cash flows for each of the years in the two-year period ended June 30, 2009. China Advanced Construction Materials Group, Inc.’s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of China Advanced Construction Materials Group, Inc. and Subsidiaries as of June 30, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the years in the two-year period ended June 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

/S/ Moore Stephens Wurth Frazer and Torbet, LLP

Brea, California

September 22, 2009

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CHINA ADVANCED CONSTRUCTION MATERIALS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash	\$ 3,634,805	\$ 1,910,495
Restricted cash	453,192	913,092
Marketable securities	71,880	61,767
Notes receivable	10,799	-
Accounts receivable, net of allowance for doubtful accounts of \$120,986 and \$224,924, respectively	11,815,402	9,365,486
Inventories	1,216,014	237,836
Other receivables	3,845,186	505,968
Prepayments	4,255,326	3,240,394
Total current assets	25,302,604	16,235,038
PLANT AND EQUIPMENT, net	22,089,717	16,730,220
OTHER ASSETS:		
Accounts receivable (non-current), net of allowance for doubtful accounts of \$328,563 and \$411,061 respectively	4,132,706	4,753,006
Long term prepayments	4,794,746	-
Total other assets	8,927,452	4,753,006
Total assets	\$ 56,319,773	\$ 37,718,264
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short term loans	\$ 4,512,200	\$ 4,271,222
Accounts payable	10,722,741	6,293,553
Customer deposits	-	165,434
Other payables	352,880	254,259
Other payables - shareholder	806,946	880,302
Accrued liabilities	593,057	145,207
Taxes payable	3,048,179	1,073,237
Total current liabilities	20,036,003	13,083,214
Total liabilities	20,036,003	13,083,214
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE CONVERTIBLE PREFERRED STOCK (\$0.001 par value, 851,125 shares issued and outstanding as of June 30, 2009 and 875,000 shares issued and	6,241,419	5,831,452

outstanding as of June 30, 2008), net of discount for the amount of \$567,581 and \$1,168,548 as of June 30, 2009 and 2008, respectively

SHAREHOLDERS' EQUITY:

Preferred stock \$0.001 par value, 1,000,000 shares authorized, 851,125 issued and outstanding as of June 30, 2009, and 875,000 shares issued and outstanding as of June 30, 2008 and classified outside shareholders' equity (see above), liquidation preference of \$8.00 per share and accrued dividends as of June 30, 2009 and June 30, 2008	-	-
Common stock, \$0.001 par value, 74,000,000 shares authorized, 10,595,500 and 10,525,000 shares issued and outstanding, as of June 30, 2009 and June 30, 2008, respectively	10,596	10,525
Paid-in-capital	12,987,417	12,722,260
Contribution receivable	(1,210,000)	(1,210,000)
Deferred compensation	-	(27,708)
Retained earnings	12,783,892	3,257,276
Statutory reserves	2,765,179	1,452,779
Accumulated other comprehensive income	2,705,267	2,598,466
Total shareholders' equity	30,042,351	18,803,598
Total liabilities, redeemable preferred stock and shareholders' equity	\$ 56,319,773	\$ 37,718,264

See report of independent registered public accounting firm.

The accompanying notes are an integral part of these consolidated financial statements.

CHINA ADVANCED CONSTRUCTION MATERIALS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
REVENUE		
Sales of concrete	\$ 28,118,492	\$ 27,565,044
Manufacturing services	7,053,728	-
Technical services	1,924,089	-
Mixer rental	2,618,493	-
Total revenue	39,714,802	27,565,044
COST OF SALES		
Concrete	20,657,312	20,799,398
Manufacturing services	2,768,255	-
Technical services	147,418	-
Mixer rental	945,057	-
Total cost of revenue	24,518,042	20,799,398
GROSS PROFIT	15,196,760	6,765,646
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,717,794	1,946,541
INCOME FROM OPERATIONS	13,478,966	4,819,105
OTHER INCOME (EXPENSE), NET		
Other subsidy income	2,109,290	1,586,192
Non-operating expense, net	(602,020)	(79,312)
Interest expense, net	(802,650)	(149,419)
TOTAL OTHER INCOME, NET	704,620	1,357,461
INCOME BEFORE PROVISION FOR INCOME TAXES	14,183,586	6,176,566
PROVISION FOR INCOME TAXES	2,115,097	1,012,382
NET INCOME	12,068,489	5,164,184
DIVIDENDS AND ACCRETION ON REDEEMABLE CONVERTIBLE PREFERRED STOCK	1,229,473	33,387
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	10,839,016	5,130,797
RECONCILIATION OF COMPREHENSIVE INCOME:		
Net Income	12,068,489	5,164,184
Unrealized gain (loss) from marketable securities	20,605	(12,482)
Foreign currency translation adjustment	86,196	1,951,026

COMPREHENSIVE INCOME	\$ 12,175,290	\$ 7,102,728
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EARNING PER COMMON SHARE ALLOCATED TO COMMON SHAREHOLDERS

Weighted average number of shares:

Basic	10,526,719	9,064,359
Diluted	14,032,479	9,255,616

Earnings per share:

Basic	\$ 1.03	\$ 0.57
Diluted	\$ 0.86	\$ 0.56

See report of independent registered public accounting firm.

The accompanying notes are an integral part of these consolidated financial statements.

CHINA ADVANCED CONSTRUCTION MATERIALS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common stock		Additional		Retained earnings		Accumulated other		
	Number of shares	Par amount	Paid-in capital	Contribution receivable	Deferred Compensation	Unrestricted	Statutory reserves	comprehensive income	Total
BALANCE, June 30, 2007	8,809,583	\$ 8,810	\$ 12,091,290	\$ (13,470,100)	\$ -	\$ 6,309,675	\$ 896,634	\$ 659,922	\$ 6,496,231
Contribution receivable offset with distribution owed				7,260,000		(7,627,051)		367,051	
Shares issued due to reorganization	1,690,417	1,690	(1,690)						
Shares issued for services	25,000	25	33,225		(27,708)				5,542
Warrants issued for services			169,345						169,345
Capital contribution received				5,000,100					5,000,100
Fair value of warrants issued with preferred stock			1,201,935						1,201,935
Offering costs related to issuance of redeemable preferred stock			(771,845)						(771,845)
Accretion of discount on redeemable preferred stock						(33,387)			(33,387)
Adjustment to statutory reserve						(556,145)	556,145		
Net income						5,164,184			5,164,184
Unrealized loss on marketable securities								(12,482)	(12,482)
								1,583,975	1,583,975

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ALANCE, ne 30, 2008	10,525,000	\$ 10,525	\$ 12,722,260	\$ (1,210,000)	\$ (27,708)	\$ 3,257,276	\$ 1,452,779	\$ 2,598,466	\$ 18,803,598
ividends on deemable ferred stock						(628,505)			(628,505)
cretion of scount on deemable ferred stock						(600,968)			(600,968)
stock based ompensation			107,477						107,477
orfeited stock ompensation	(25,000)	(25)	(33,225)		27,708				(5,542)
ferred stock onverted to ommon stock	95,500	96	190,905						191,001
et income						12,068,489			12,068,489
djustment to atutory serve						(1,312,400)	1,312,400		
nrealized ain on arketable curities								20,605	20,605
oreign urrency anslation ain								86,196	86,196
ALANCE, ne 30, 2009	10,595,500	\$ 10,596	\$ 12,987,417	\$ (1,210,000)	\$ -	\$ 12,783,892	\$ 2,765,179	\$ 2,705,267	\$ 30,042,351

See report of independent registered public accounting firm.

The accompanying notes are an integral part of these consolidated financial statements.

CHINA ADVANCED CONSTRUCTION MATERIALS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 12,068,489	\$ 5,164,184
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	2,184,462	1,178,745
Amortization of long term deferred expense	179,463	-
Bad debt expense, net of recovery	(189,052)	443,171
Amortization of deferred compensation expense	107,477	5,542
Changes in operating assets and liabilities		
Accounts receivable	(13,681,007)	1,561,399
Inventories	(977,200)	211,569
Other receivables	(3,347,936)	1,109,454
Prepayment	419,258	(2,825,219)
Accounts payable	4,403,314	(2,933,778)
Customer deposits	(166,114)	156,125
Other payables	97,849	108,430
Accrued liabilities	291,597	(80,851)
Taxes payable	1,970,528	1,012,153
Net cash provided by operating activities	3,361,128	5,110,924
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, and equipment	(1,771,915)	(8,701,026)
Net cash used in investing activities	(1,771,915)	(8,701,026)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short term loans	8,247,950	3,925,075
Payments for short term loans	(8,024,538)	(5,906,096)
Payments on other payables - Shareholder	(73,889)	-
Restricted cash	459,900	(913,092)
Proceeds from issuance of redeemable preferred stock	-	6,397,500
Proceeds from capital contribution	-	100
Proceeds from advances by shareholder	-	873,020
Preferred dividends paid	(472,851)	-
Net cash provided by financing activities	136,572	4,376,507
EFFECTS OF EXCHANGE RATE CHANGE IN CASH	(1,475)	(300,793)
INCREASE IN CASH	1,724,310	485,612
CASH, beginning of year	1,910,495	1,424,883
CASH, end of year	\$ 3,634,805	\$ 1,910,495

Supplemental cash flow information disclosures (See note 3)

See report of independent registered public accounting firm.

The accompanying notes are an integral part of these consolidated financial statements.

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CHINA ADVANCED CONSTRUCTION MATERIALS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

Note 1 – Organization and description of business

China Advanced Construction Materials Group, Inc. (“China ACM” or the “Company”) was founded on September 1, 2005, under the name TJS Wood Flooring, Inc. (“TJSW”), and incorporated in the State of Delaware on February 15, 2007. On April 29, 2008, TJSW changed its name to China Advanced Construction Materials Group, Inc. in connection with a share exchange transaction as described below.

On April 29, 2008, the Company executed a share exchange agreement with Xin Ao Construction Materials, Inc. (“BVI-ACM”) whereby the Company issued to the stockholders of BVI-ACM 8,809,583 shares of the Company’s common stock in exchange for all of the issued and outstanding capital stock of BVI-ACM (the “Share Exchange”). Prior to the Share Exchange, and after the cancellation of 9,990,000 shares, China ACM had 1,166,667 shares of common stock issued and outstanding. After the Share Exchange, China ACM had 10,500,000 shares of common stock outstanding and the former shareholders of BVI-ACM owned 83.9% of the issued and outstanding shares. The directors and executive officers of BVI-ACM became the directors and officers of China ACM. This transaction has been accounted for as a reverse acquisition and recapitalization of the Company whereby BVI-ACM is deemed to be the accounting acquirer (legal acquiree) and the Company the accounting acquiree (legal acquirer). The historical financial statements for periods prior to April 29, 2008, are those of BVI-ACM except that the equity section and earnings per share have been retroactively restated to reflect the reverse acquisition.

BVI-ACM was established on October 9, 2007, under the laws of the British Virgin Islands. The majority shareholders of BVI-ACM are Chinese citizens who own 100% of Beijing Xin Ao Concrete Co., Ltd. (“Xin Ao”), a limited liability company formed under the laws of the People’s Republic of China (“PRC”). BVI-ACM was established as a “special purpose vehicle” for foreign fund raising for Xin Ao. China State Administration of Foreign Exchange (“SAFE”) requires the owners of any Chinese companies to obtain SAFE’s approval before establishing any offshore holding company structure for foreign financing as well as subsequent acquisition matters under Circular 106 in the PRC. On September 29, 2007, BVI-ACM was approved by the local Chinese SAFE as a “special purpose vehicle” offshore company.

On November 23, 2007, BVI-ACM established a subsidiary, Beijing Ao Hang Construction Material Technology Co., Ltd. (“China-ACMH”), in the PRC as a wholly-owned foreign limited liability company (“WFOE”) with registered capital of \$5 million.

BVI-ACM, through its 100% owned China-ACMH and its variable interest entity (“VIE”) Xin Ao (see Note 2), is engaged in producing general ready-mix concrete, customized mechanical refining concrete, and other concrete-related products that are mainly sold in the PRC. Xin Ao, licensed by the Beijing Administration of Industry & Commerce, PRC, was established on June 28, 2002, with an initial capital contribution of approximately \$3,630,000 (RMB30 million). On July 8, 2005, the Board of Directors of Xin Ao increased its registered capital to \$12,100,000 (RMB100 million) through the use of Xin Ao’s undistributed profits.

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On November 28, 2007, China-ACMH entered a series of contractual arrangements (the “Contractual Arrangements”) with Xin Ao and its shareholders in which China-ACMH effectively took over management of the business activities of Xin Ao. The Contractual Arrangements are comprised of a series of agreements, including:

- Exclusive Technical Consulting and Services Agreement, through which China-ACMH will provide exclusive technical consulting and services to Xin Ao for an annual fee in the amount of Xin Ao’s yearly net income after tax.
- Equity Pledge Agreement, through which Xin Ao’s shareholders pledged their rights, title and equity interest in Xin Ao as security for China-ACMH to collect technical consulting and services fees provided to China-ACMH.
- Operating Agreement, through which China-ACMH has exclusive authority of all decision-making of ongoing major operations, including establishing compensation levels and hiring and termination of key personnel. In order to ensure Xin Ao’s normal operations, China-ACMH agreed to act as the guarantor and provide full guarantee for Xin Ao in entering and performing contracts, agreements or transactions in association with Xin Ao’s operations between Xin Ao and any other third parties. As a counter guarantee, Xin Ao agreed to mortgage all of its assets including receivables which have not been mortgaged to any third parties at the execution date of this agreement to China-ACMH.
- Power of Attorney, signed by Xin Ao’s 100% shareholders Mr. Han Xianfu and Mr. He Weili, which authorized the individuals appointed by China-ACMH to exercise all of their respective voting rights as a shareholder at Xin Ao’s shareholder meetings.
- Option Agreement, through which Xin Ao’s shareholders granted China-ACMH the exclusive right and option to acquire all of their equity interests in Xin Ao. Further, the shareholders of Xin Ao pledged their shares in Xin Ao as collateral for the annual fees due to the Company.

The term of these agreements is for ten (10) years and terminates automatically upon expiration, and may be extended only if China-ACMH gives its written consent of the extension before the expiration. The parties, through negotiations, determine the extension term. During the term, Xin Ao may not terminate the agreements except in the case of gross negligence, fraud or other illegal acts or bankruptcy of China-ACMH. Notwithstanding the foregoing, China-ACMH may terminate the agreement at any time with a written notice to Xin Ao thirty (30) days before such termination. Additionally, without China-ACMH’s prior written consent, Xin Ao cannot assign or otherwise transfer its rights and obligations under the agreements. Subject to compliance with the laws of China, China-ACMH may assign the agreements to any affiliate or any other designated entity without the prior consent of Xin Ao.

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Through China-ACMH, BVI-ACM operates and controls Xin Ao through the Contractual Arrangements. BVI-ACM utilized the Contractual Arrangements to gain control of the operations of Xin Ao, instead of acquiring Xin Ao, due to : (i) new PRC laws governing share exchange transactions with foreign entities, effective since September 8, 2006, make the consequences of such acquisitions uncertain and (ii) other than by share exchange transactions, PRC laws require Xin Ao to be acquired for cash and BVI-ACM was not able to raise sufficient funds to pay the full appraised value for Xin Ao's assets or shares as required under PRC laws.

Through this series of Contractual Arrangements, China-ACMH provides exclusive technical consulting services to Xin Ao for an annual fee equal to Xin Ao's yearly net income. China-ACMH effectively took over management of daily business activities of Xin Ao and has the right to appoint all executives, senior management and members of the board of directors of Xin Ao. China-ACMH guarantees all of Xin Ao's business activities with any third parties and in return is guaranteed all of Xin Ao's assets. In addition, shareholders of Xin Ao pledged their shares in Xin Ao as collateral for the annual fees due to the Company and granted China-ACMH the exclusive right and option to acquire all of their equity interests in Xin Ao.

Note 2 – Summary of significant accounting policies

Basis of presentation

The Company's accounting policies used in the preparation of the accompanying consolidated financial statements conform to accounting principles generally accepted in the United States of America ("US GAAP") and have been consistently applied.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of China ACM, BVI-ACM, including its wholly-owned subsidiary China-ACMH, and its variable interest entity Xin Ao. All significant inter-company transactions and balances have been eliminated in consolidation.

In accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46(R) ("FIN 46(R)"), "Consolidation of Variable Interest Entities," all VIEs with which the Company is involved must be evaluated to determine the primary beneficiary of the risks for financial reporting purposes. Based upon a series of Contractual Arrangements, China-ACMH effectively took over management of daily business activities of Xin Ao and has the right to appoint all executives, senior management and members of the board of directors of Xin Ao. Equity holders of Xin Ao also signed a Power of Attorney, which authorizes the individuals appointed by China-ACMH to exercise all of their voting rights as shareholder at Xin Ao's shareholder meetings. China-ACMH provides exclusive technical consulting and other services to Xin Ao for an annual fee equal to Xin Ao's yearly net income, and guarantees all of Xin Ao's business activities with any third parties and in return is guaranteed all of Xin Ao's assets. In addition, shareholders of Xin Ao pledged their shares in Xin Ao as collateral for the annual fees due to the Company and granted China-ACMH the exclusive right and option to acquire all of their equity interests in Xin Ao. In accordance with FIN 46(R), the Company determined that Xin Ao is a variable interest entity subject to consolidation and that the Company is the primary beneficiary. Accordingly, the financial statements of Xin Ao are consolidated into the financial statements of the Company.

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Company reporting year end

For US financial statement reporting purposes beginning from 2008, the Company has adopted June 30 as its fiscal year end.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The significant estimates made in the preparation of the Company's consolidated financial statements relate to the assessment of the fair value of share-based payments and the collectability of accounts receivable. Actual results could be materially different from those estimates, upon which the carrying values were based.

Foreign currency translation

The reporting currency of the Company is the U.S. dollar. The functional currency of China ACM and BVI-ACM is the U.S. dollar. China-ACMH and Xin Ao use their local currency Chinese Renminbi ("RMB") as their functional currency. In accordance with SFAS No. 52, "Foreign Currency Translation," the Company's results of operations and cash flows are translated at the average exchange rates during the period, assets and liabilities are translated at the exchange rates at the balance sheet dates, and equity is translated at the historical exchange rates. As a result, amounts related to assets and liabilities reported on the consolidated statements of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheets.

Accumulated other comprehensive income in the consolidated statements of shareholders' equity amounted to \$2,705,267 and \$2,598,466 as of June 30, 2009 and 2008, respectively. Asset and liability accounts at June 30, 2009 and June 30, 2008 were translated at 6.83 RMB and 6.85 RMB to \$1.00, respectively. The average translation rates applied to the consolidated statements of income and cash flows for the years ended June 30, 2009 and 2008 were 6.83 RMB and 7.26 RMB to \$1.00, respectively.

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Translation gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. Gains and losses from foreign currency transactions are included in the results of operations. There were no material transaction gains or losses for the years ended June 30, 2009 and 2008.

Revenue recognition

The Company recognizes revenue in accordance with Staff Accounting Bulletin (“SAB”) No. 101, “Revenue Recognition in Financial Statements,” as amended by SAB No. 104 (together, “SAB 104”), which specifies that revenue is realized or realizable and earned when four criteria are met:

- Persuasive evidence of an arrangement exists (the Company considers its sales contracts and technical service agreements to be pervasive evidence of an arrangement);
- Delivery has occurred or services have been rendered;
- The seller’s price to the buyer is fixed or determinable; and
- Collectability of payment is reasonably assured.

The Company sells its concrete products and provides concrete technical services primarily to major local construction companies. Sales agreements are signed with each customer. The agreements list all terms and conditions with the exception of delivery date and quantity, which are evidenced separately in purchase orders. The purchase price of products is fixed in the agreement and customers are not permitted to renegotiate after the contracts have been signed. The agreements include a cancellation clause if the Company or customers breach the contract terms specified in the agreement.

The Company does not sell products to customers on a consignment basis. There is no right of return after the product has been injected into the location specified by the contract and accepted by the customer. The Company recognizes revenue when the goods and services are provided by the Company and are accepted by the customer.

Sales revenue represents the invoiced value of goods, net of a value added tax (“VAT”). All of the Company’s concrete products that are sold in the PRC are subject to a Chinese VAT at the rate of 6% of the gross sales price.

Due to the fact that the Company uses recycled raw materials to manufacture its products, the State Administration of Taxation has granted the Company VAT tax exemption from August 2005 to August 2009 and a two year extension on the VAT tax exemption from August 2009 to August 2011. The VAT tax collected during the aforementioned period from the Company’s customers is retained by the Company and recorded as other subsidy income.

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The Company also provides manufacturing services, technical consulting services and strategic cooperation including market sharing and equipment rental with other independently owned concrete companies. The Company signs a Technical Service Agreement or Strategic Cooperation Agreement with each concrete company, which specifies all terms and conditions including prices to be charged. Once concrete products are produced by the concrete company and supplied to builders referred by the Company or cost savings are realized by the use of technical solutions provided by the Company, the Company has in effect rendered its service pursuant to the agreements. The Company recognizes revenue and invoices the concrete companies monthly for technical service and marketing cooperation on a per-cubic-meter basis and for equipment rental on a per-mixer truck basis.

The Company also earns income from the renting of certain of its vehicles to other non-related concrete companies. The rental amounts are based on pre-determined rental rates on a per cubic meter basis.

Segment report

Management reviews financial information presented on a consolidated basis, accompanied by disaggregated information about revenues by product lines for purposes of allocating resources and evaluating financial performance. There are no segment managers who are held accountable for operations, operating results and plans for levels or components below the consolidated unit level. Based on qualitative and quantitative criteria established by SFAS 131, "Disclosures about Segments of an Enterprise and Related Information", the Company considers itself to be operating within one reportable segment.

Shipping and handling

Shipping and handling costs related to costs of the raw materials purchased is included in cost of revenues. Further, transportation costs incurred in the delivery of the Company's concrete products are also included in cost of revenues.

Financial instruments

SFAS 107, "Disclosures about Fair Value of Financial Instruments," defines financial instruments and requires disclosure about the fair value of those financial instruments held by the Company. SFAS 157, "Fair Value Measurements", defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurements, and enhances disclosures requirements.

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The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of June 30, 2009, the outstanding principal on the Company's short term loan amounted to \$4,512,200. Management concluded the carrying value of the short term loan is a reasonable estimate of fair value because the amounts are due within one year and the stated interest rate approximates current rates available. The Company paid off its loan balance due to Beijing International Turst Co. Ltd. for the amount of \$4,395,000 in July 2009.

Marketable securities, receivables and current liabilities qualify as financial instruments. Marketable securities were determined using Level 3, which are carried on the consolidated balance sheets at fair value, with fair values determined by the financial institution who sold the securities. The carrying amounts reported in the consolidated balance sheets for receivables and current liabilities are reasonable estimates of fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rates of interest. The Company did not identify any assets and liabilities, other than marketable securities, that are required to be presented on the consolidated balance sheets at fair value in accordance with SFAS 157.

Stock-based compensation

The Company records stock-based compensation expense pursuant to SFAS 123R, "Share Based Payment." SFAS 123R requires companies to measure compensation cost for stock-based employee compensation plans at fair value at the grant date and recognize the expense over the employee's requisite service period. Under SFAS 123R, the Company's expected volatility assumption is based on the historical volatility of Company's stock or the expected volatility of similar entities. The expected life assumption is primarily based on historical exercise patterns and employee post-vesting termination behavior. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

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Stock-based compensation expense is recognized based on awards expected to vest, and there were no estimated forfeitures as the Company has a short history of issuing options. SFAS 123R requires forfeitures to be estimated at the time of grant and revised in subsequent periods, if necessary, if actual forfeitures differ from those estimates.

The Company estimates the fair value of the awards using the Cox-Ross-Rubinstein (“CRR”) binomial model. Option pricing models, such as the CRR binomial model, require the input of highly complex and subjective variables including the expected life of options granted and the Company’s expected stock price volatility over a period equal to or greater than the expected life of the options. Because changes in the subjective assumptions can materially affect the estimated value of the Company’s employee stock options, it is management’s opinion that the CRR binomial model may not provide an accurate measure of the fair value of the Company’s employee stock options. Although the fair value of employee stock options is determined in accordance with SFAS 123R using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

Concentration of risk

- Cash - Cash includes cash on hand and demand deposits in accounts maintained with state owned banks within the PRC. The Company considers all highly liquid instruments purchased with original maturities of three months or less, and money market accounts, to be cash equivalents. Total cash in these banks at June 30, 2009 and 2008 amounted to \$3,634,805 and \$1,910,495, respectively, of which no deposits were covered by insurance. Also, as of June 30, 2009, the Company held \$453,192 in restricted cash in a corporate legal counsel’s trust account, in accordance with an agreement with investors for the restricted use of preferred stock dividend and investor relation related expenses. Nonperformance by these institutions could expose the Company to losses not covered by insurance. Management reviews the financial condition of these institutions on a periodic basis. The Company has not incurred any losses on these accounts from nonperformance by the aforementioned institutions.
- Major customers – Five customers accounted for approximately 32.03 % and 41.49% of the Company’s sales for the years ended June 30, 2009 and 2008, respectively. The total accounts receivable from these customers amounted to \$3,624,793 and \$3,584,879 as of June 30, 2009 and 2008, respectively.
- Major suppliers – Five suppliers accounted for approximately 43.90% and 51.77% of the Company’s purchase for the years ended June 30, 2009 and 2008, respectively. The total accounts payable to these suppliers amounted to \$2,551,604 and \$440,981 as of June 30, 2009 and 2008.

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- Political and economic risks - The Company's operations are carried out in the PRC. Accordingly, the Company's business, financial condition, and results of operations may be influenced by the political, economic, and legal environments in the PRC, and by the general state of the PRC's economy. The Company's operations in the PRC are subject to specific considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic, and legal environments, and foreign currency exchange. The Company's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among others.

Restricted Cash

Restricted cash represents portion of the proceeds received from the June 11, 2008, Private Placement that was deposited in a trust account held by the Company's legal counsel for payment of dividends, investor relations fees, and other professional fees (see Note 12). The restricted cash balance was \$453,192 as of June 30, 2009. As of June 30, 2008, the restricted cash balance was \$913,092.

Accounts receivable

During the normal course of business, the Company extends unsecured credit to its customers. Management reviews its accounts receivable each reporting period to determine if the allowance for doubtful accounts is adequate. An estimate for doubtful accounts is recorded when collection of the full amount is no longer probable. Known bad debts are written off against allowance for doubtful accounts when identified. The Company's reserves are consistent with its historical experience and considered adequate by management.

The ultimate collection of the Company's accounts receivable may take more than one year, and any portion of accounts receivable expected to be collected in more than one year is reflected as noncurrent, net of allowance for doubtful accounts relating to that portion of the receivables. The bifurcation between current and noncurrent portions of accounts receivable is based on management's estimate and predicated on historical collection experience.

Inventories

Inventories consist of raw materials and are stated at the lower of cost or market, using the weighted average cost method. The Company reviews its inventory periodically for possible obsolescence. As of June 30, 2009 and 2008, the Company determined no reserves for obsolescence were necessary.

Prepayments

The Company advances monies to certain suppliers for raw materials and short term prepaid rent. These advances are interest free and unsecured. In addition, the prepayments also include amounts prepaid for rent.

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Plant, machinery and equipment

Plant, machinery and equipment are stated at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method with 5% residual value. Maintenance, repairs and minor renewals are charged to expense as incurred. Major additions and betterment to property and equipment are capitalized. The cost and related accumulated depreciation of assets sold or otherwise retired are eliminated from the accounts and any gain or loss is included in the consolidated statements of income.

The estimated useful lives of assets are as follows:

	Useful Life
Transportation equipment	10 years
Plant machinery	10 years
Office equipment	5 years

Impairment of long-lived assets

Long-lived assets of the Company are reviewed at least annually, more often if circumstances dictate, for possible impairment. Whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, the Company records an impairment charge to reduce the related assets to their net realizable value. The Company believes no impairment exists at June 30, 2009.

Redeemable convertible preferred stock

On June 11, 2008, the Company completed the sale to certain accredited investors of 875,000 investment units for gross proceeds of \$7,000,000, each unit consisting of one share of the Company's Series A Convertible Preferred Stock and one warrant to purchase two shares of the Company's common stock. The preferred stock pays annual dividends of 9% regardless of the Company's profitability. Each preferred share is convertible into four shares of common stock. The Company received net proceeds of approximately \$5.3 million after offering expenses and net of \$930,000 restricted cash which was required to be placed in escrow. Upon the two year anniversary of the closing date, the Company is required to redeem for cash the outstanding preferred stock, if not previously converted by the holders, for \$8.00 per share plus accrued but unpaid dividends. Because the Company is required to redeem the preferred stock on June 11, 2010, if it has not been previously converted by the holders, in accordance with EITF Topic D-98, the preferred stock is classified outside of shareholders' equity.

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In accordance with Accounting Principles Board (“APB”) No. 14, “Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants,” the Company allocated the proceeds received between the preferred stock and the warrants. The resulting discount from the face amount of the preferred stock is being amortized using the effective interest method over the period to the required redemption date. After allocating a portion of the proceeds to the warrants, the effective conversion price of the preferred stock was higher than the market price at the date of issuance, and therefore, no beneficial conversion feature was recorded. The dividends on the preferred stock, together with the periodic accretion of the preferred stock to its redemption value, are charged to retained earnings.

Income taxes

The Company’s subsidiaries Xin Ao and WOFE are governed by the income tax laws of the PRC. The Company accounts for income taxes in accordance with SFAS 109, “Accounting for Income Taxes,” which requires the Company to use the assets and liability method of accounting for income taxes. Under the assets and liability method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between financial statement carrying amounts and the tax bases of existing assets and liabilities. Under SFAS 109, the effect on deferred income taxes of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion, or all of, a deferred tax asset will not be realized. Since the Company’s operations are outside of the U.S., the Company did not have any provision for U.S. income taxes including any deferred income taxes, for the years ended June 30, 2009 and 2008.

The Company adopted FIN 48, “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statements No. 109,” as of July 1, 2007. Under FIN 48, the evaluation of a tax position is a two-step process. The first step is to determine whether it is more likely than not that a tax position will be sustained upon examination, including the resolution of any related appeals or litigation based on the technical merits of that position. The second step is to measure a tax position that meets the more-likely-than-not threshold to determine the amount of benefit to be recognized in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50 percent likelihood of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not criteria should be de-recognized in the first subsequent financial reporting period in which the threshold is no longer met. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. The adoption had no effect on the Company’s consolidated financial statements. There were no material deferred tax amounts as of June 30, 2009 and 2008.

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The Company has cumulative undistributed earnings of China ACMH of approximately \$14.8 million as of June 30, 2009, is included in consolidated retained earnings and will continue to be indefinitely reinvested in international operations. Accordingly, no provision has been made for U.S. deferred taxes related to future repatriation of these earnings.

Chinese Income Taxes

The Company and its subsidiaries are governed by the income tax laws of the PRC concerning Foreign Investment Enterprises and Foreign Enterprises and various local income tax laws (the "Income Tax Laws").

Xin Ao's use of recycled raw materials in its production since its inception entitled the Company to an income tax exemption from January 1, 2003, through to December 31, 2007 and an income tax reduction from 25% to 15% from January 1, 2009 to December 31, 2012 as granted by the State Administration of Taxation of the PRC. The income tax exemption granted to the Company was eliminated after December 31, 2007. Beginning January 1, 2008, the new Chinese Enterprise Income Tax ("EIT") law replaced the existing laws for Domestic Enterprises ("DES") and Foreign Invested Enterprises ("FIEs"). Effective January 1, 2009, the new reduced EIT rate of 15% replaced the existing rates of 25% currently applicable to both DES and FIEs.

PRC laws require that before a FIE can legally distribute profits to its shareholders, it must satisfy all tax liabilities, provide for losses in previous years, and make allocations in proportions made at the discretion of the board of directors, after the statutory reserve. The statutory reserve includes the surplus reserve fund, the common welfare fund, and represents restricted retained earnings.

The Company adopted accounting policies in accordance to U.S. GAAP with regard to provisions, reserves, inventory valuation method, and depreciation that are consistent with requirements under Chinese income tax laws. Therefore, there were no significant deferred tax assets or liabilities during the years ended June 30, 2009 and 2008.

The Company classifies interest and penalties assessed due to underpayment of income taxes as interest expense and other expenses, respectively. The Company incurred no such expenses for the years ended June 30, 2009 and 2008.

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Value added tax

Enterprises or individuals, who sell commodities, engage in repair and maintenance, or import and export goods in the PRC are subject to a value added tax. The standard VAT rate is 6% of gross sales for the Company's industry. A credit is available whereby VAT paid on the purchases of raw materials used in the production of the Company's finished products can be used to offset the VAT due on sales of finished products. Due to the fact that the Company uses recycled raw materials to manufacture its products, the State Administration of Taxation has granted the Company VAT exemption from August 2005 through to August 2009 and a two year tax (VAT) credit extension from August 2009 through August 2011. For the years ended June 30, 2009 and 2008, the Company recognized VAT collected as other subsidy income in the amounts of \$2,109,290 and \$1,586,192 respectively.

Research and development costs

Research and development costs are expensed as incurred. The cost of materials and equipment that are acquired or constructed for research and development activities, and have alternative future uses, either in research and development, marketing, or sales, are classified as property and equipment, and depreciated over their estimated useful lives. Research and development expenses for the years ended June 30, 2009 and 2008 were not significant.

Earnings per share

The Company reports earnings per share in accordance with SFAS 128, "Earnings Per Share." SFAS 128 requires presentation of basic and diluted earnings per share in conjunction with the disclosure of the methodology used in computing such earnings per share. Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted average common shares outstanding during the period. Diluted earnings per share takes into account the potential dilution that could occur if securities or other contracts, such as warrants and convertible preferred stock, to issue common stock were exercised and converted into common stock. Dilutive securities having an anti-dilutive effect on diluted earnings per share are excluded from the calculation.

Comprehensive income

SFAS 130, "Reporting Comprehensive Income," establishes standards for reporting and display of comprehensive income and its components in financial statements. It requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The accompanying consolidated financial statements include the provision of SFAS 130, and therefore, comprehensive income consists of net income, unrealized gains and losses from marketable securities, and foreign currency translation adjustments.

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Recently issued accounting pronouncements

In December 2007, the FASB issued SFAS 141R, "Business Combinations," which replaced SFAS 141. SFAS 141R retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in the purchase accounting as well as requiring the expensing of acquisition-related costs as incurred. Furthermore, SFAS 141R provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for fiscal years beginning on or after December 15, 2008. Earlier adoption is prohibited. The adoption of this statement is not expected to have any material impact on the Company's consolidated results of operations or consolidated financial position.

In December 2007, the FASB issued SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51." SFAS 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It is intended to eliminate the diversity in practice regarding the accounting for transactions between equity and noncontrolling interests by requiring that they be treated as equity transactions. Further, it requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. SFAS 160 also establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation, requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated, requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent's owners and the interests of the noncontrolling owners of a subsidiary, among others. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008, with early adoption permitted, and it is to be applied prospectively. SFAS 160 is to be applied prospectively as of the beginning of the fiscal year in which it is initially applied, except for the presentation and disclosure requirements, which must be applied retrospectively for all periods presented. The SFAS 160 is not expected to have any material impact on the Company's consolidated financial position or consolidated results of operations.

In February 2008, the FASB issued FSP FAS 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13." FSP FAS 157-1 indicates that it does not apply under SFAS 13, "Accounting for Leases," and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS 13. This scope exception does not apply to assets acquired and liabilities assumed in a business combination that are required to be measured at fair value under SFAS 141 or SFAS 141R, regardless of whether those assets and liabilities are related to leases.

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Also in February 2008, the FASB issued FSP FAS 157-2, "Effective Date of FASB Statement No. 157." With the issuance of FSP FAS 157-2, the FASB agreed to: (a) defer the effective date in SFAS 157 for one year for certain nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), and (b) remove certain leasing transactions from the scope of SFAS 157. The deferral is intended to provide the FASB time to consider the effect of certain implementation issues that have arisen from the application of SFAS 157 to these assets and liabilities.

In March 2008, the FASB issued SFAS 161, "Disclosures about Derivative Instruments and Hedging Activities – An Amendment of SFAS No. 133." SFAS 161 is intended to improve financial reporting of derivative instruments and hedging activities by requiring enhanced disclosures to enable financial statement users to better understand the effects of derivatives and hedging on an entity's financial position, financial performance and cash flows. To achieve this increased transparency, SFAS 161 requires (1) the disclosure of the fair value of derivative instruments and gains and losses in a tabular format; (2) the disclosure of derivative features that are credit risk-related; and (3) cross-referencing within the footnotes. SFAS 161 is effective on January 1, 2009. The Company has adopted SFAS 161.

In June 2008, the FASB issued EITF 07-5, "Determining whether an Instrument (or Embedded Feature) is indexed to an Entity's Own Stock." EITF 07-5 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early application is not permitted. Paragraph 11(a) of SFAS 133 specifies that a contract that would otherwise meet the definition of a derivative but is both (a) indexed to the Company's own stock and (b) classified in stockholders' equity in the statement of financial position would not be considered a derivative financial instrument. EITF 07-5 provides a new two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer's own stock and thus able to qualify for the SFAS 133 paragraph 11(a) scope exception. This standard triggers liability accounting on all options and warrants exercisable at strike prices denominated in any currency other than the functional currency in China (Renminbi). The Company will adopt EITF 07-5 effective July 1, 2009.

In June 2008, the FASB issued FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities," to address the question of whether instruments granted in share-based payment transactions are participating securities prior to vesting. FSP EITF 03-6-1 indicates that unvested share-based payment awards that contain rights to dividend payments should be included in earnings per share calculations. The guidance will be effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the requirements of FSP EITF 03-6-1 and the impact that its adoption will have on the consolidated results of operations or consolidated financial position.

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In October 2008, the FASB issued FSP FAS 157-3, "Determining the Fair Value of a Financial Asset in a Market That Is Not Active," which clarifies the application of SFAS 157 when the market for a financial asset is inactive. Specifically, FSP FAS 157-3 clarifies how (1) management's internal assumptions should be considered in measuring fair value when observable data are not present, (2) observable market information from an inactive market should be taken into account, and (3) the use of broker quotes or pricing services should be considered in assessing the relevance of observable and unobservable data to measure fair value. The Company is currently evaluating the impact of adoption of FSP FAS 157-3 on the Company's consolidated financial statements.

In April 2009, the FASB issued FSP FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly." FSP FAS 157-4 amends SFAS 157 and provides additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased and also includes guidance on identifying circumstances that indicate a transaction is not orderly for fair value measurements. FSP FAS 157-4 shall be applied prospectively with retrospective application not permitted. FSP FAS 157-4 shall be effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity early adopting FSP FAS 157-4 must also early adopt FSP FAS 115-2 and 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments". Additionally, if an entity elects to early adopt either FSP FAS 107-1 and 28-1, "Interim Disclosures about Fair Value of Financial Instruments" or FSP FAS 115-2 and 124-2, it must also elect to early adopt this FSP. The Company has determined that this new FSP did not have a material impact on the consolidated financial statements.

In April 2009, the FASB issued FSP FAS 115-2 and 124-2. FSP FAS 115-2 amends SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," SFAS 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations," and EITF 99-20, "Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets," to make the other-than-temporary impairments guidance more operational and to improve the presentation of other-than-temporary impairments in the financial statements. This FSP will replace the existing requirement that the entity's management assert it has both the intent and ability to hold an impaired debt security until recovery with a requirement that management assert it does not have the intent to sell the security, and it is more likely than not it will not have to sell the security before recovery of its cost basis. This FSP provides increased disclosure about the credit and noncredit components of impaired debt securities that are not expected to be sold and also requires increased and more frequent disclosures regarding expected cash flows, credit losses, and an aging of securities with unrealized losses. Although this FSP does not result in a change in the carrying amount of debt securities, it does require that the portion of an other-than-temporary impairment not related to a credit loss for a held-to-maturity security be recognized in a new category of other comprehensive income and be amortized over the remaining life of the debt security as an increase in the carrying value of the security. This FSP shall be effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity may early adopt this FSP only if it also elects to early adopt FSP FAS 157-4. Also, if an entity elects to early adopt either FSP FAS 157-4 or FSP FAS 107-1 and 28-1, the entity also is required to early adopt this FSP. The Company does not expect this new FSP to have a material impact on the consolidated financial statements.

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In April 2009, the FASB issued FSP FAS 107-1 and 28-1. This FSP amends SFAS 107, to require disclosures about fair value of financial instruments not measured on the balance sheet at fair value in interim financial statements as well as in annual financial statements. Prior to this FSP, fair values for these assets and liabilities were only disclosed annually. This FSP applies to all financial instruments within the scope of SFAS 107 and requires all entities to disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments. This FSP shall be effective for interim periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity may early adopt this FSP only if it also elects to early adopt FSP FAS 157-4 and 115-2 and 124-2. This FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption. The Company is currently evaluating the disclosure requirements of this new FSP.

In May 2009, the FASB issued SFAS. 165, "Subsequent Events," which is effective for interim or annual financial periods ending after June 15, 2009. SFAS. 165 establishes general standards of accounting and disclosure of events that occur after the balance sheet but before financial statements are issued or are available to be issued. Management is required to evaluate subsequent events through the date that financial statements are issued and disclose the date through which subsequent events have been evaluated, as well as the date the financial statements were issued. SFAS. 165 was adopted for the year ended June 30, 2009.

In June 2009, the FASB issued SFAS 168, "The FASB Accounting Standards CodificationTM and the Hierarchy of Generally Accepted Accounting Principles a Replacement of FASB Statement No. 162". This Standard establishes the FASB Accounting Standards CodificationTM (the "Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. The Codification is effective for interim and annual periods ending after September 15, 2009, and as of the effective date, all existing accounting standard documents will be superseded. The Codification is effective in the third calendar quarter of 2009, and accordingly, the Quarterly Report on Form 10-Q for the quarter ending September 30, 2009 and all subsequent public filings will reference the Codification as the sole source of authoritative literature.

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Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications have no effect on net income or cash flows.

Note 3 – Supplemental disclosure of cash flow information

During the years ended June 30, 2009 and 2008, the Company paid interest in the amount of \$802,804 and \$151,669, respectively.

Cash payments for income taxes for the years ended June 30, 2009 and 2008 were \$152,350 and \$0, respectively.

For the years ended June 30, 2009 and 2008, the Company transferred a total of \$16.2 million and \$0 of accounts receivable, respectively, as payments for the acquisition of fixed assets, as prepayment for rental expense, and as a factoring agreement on a non-recourse basis. For factoring agreement, the Company transferred its receivables to a third party unrelated trust company for cash. The factor performs all credit and collection functions, and assumes all risks associated with the collection of the receivables. The Company pays a fee of 8.8% of the face value of each receivable for this service. This fee is included in non-operating expense on the Company's consolidated statements of income. The Company believes that the accounts receivable transferred represents the current fair market value of the future benefits it received for these transactions, detail are as follows:

	For the years ended June 30,	
	2009	2008
As a prepayment for rental expense	\$ 6,395,259	\$ -
For purchase of fixed assets	5,703,245	-
Factored to a trust company and transferred to other receivable	4,106,774	-
Total non cash accounts receivable offset	\$ 16,205,278	\$ -

As of June 30, 2009, the accretion of the discount on redeemable convertible preferred stock amounted to approximately \$601,000, and has been included in the consolidated statements of shareholders' equity. No such amount was recorded as of June 30, 2008.

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Note 4 – Marketable securities

Marketable securities are the mutual fund that Xinao purchased from CYJA Allianz Fund, all securities are available for sale and therefore are carried at fair value with unrealized gains and losses reported as accumulated other comprehensive income in shareholders' equity. Realized gains and losses on marketable securities are included in other income or expense in the period they incurred, and when applicable, are reported as a reclassification adjustment in other comprehensive income. Gains and losses on the sale of marketable securities are determined using the specific-identification method.

Note 5 – Accounts receivable

Accounts receivable are generated from concrete products sold, vehicle rental services provided to other unrelated concrete companies, and technological consulting services provided to the Company's customers and other concrete companies with which the Company conducts business. The payment terms are defined in the respective contracts. Over 80% of the Company's receivables are due within a year by contract and are classified as current assets on the consolidated balance sheets. For certain large construction projects that can take several years to complete, the Company provides extended payment terms to the general contractors. These contractors are usually large state-owned builders with good credit ratings. At the end of each period, the Company evaluates the structure and collectability of accounts receivable and for these receivables that are past due or not being paid according to payment terms, the Company takes appropriate actions including seeking legal resolution in a court of law, for its collection efforts.

The Company has significantly reduced its receivables balance by transferring a large portion of its long-term accounts receivable rights to third parties during the fourth quarter of 2009 without recourse. However, the Company will assist in providing necessary documents to transferees and introduce all parties involving the contracts in order to facilitate the collection processes between original customers and transferees (see Note 3 – supplemental disclosures of cash flow information for more details).

As of June 30, 2009 and 2008, accounts receivable and allowance for doubtful accounts consisted of the following:

	2009	2008
Accounts receivable, current	\$ 11,936,388	\$ 9,590,410
Less: allowance for doubtful accounts, current	(120,986)	(224,924)
Net accounts receivable, current	11,815,402	9,365,486
Accounts receivable, non-current	4,461,269	5,164,067
Less: allowance for doubtful accounts, non-current	(328,563)	(411,061)
Net accounts receivable, non-current	4,132,706	4,753,006
Total accounts receivable, net	\$ 15,948,108	\$ 14,118,492

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Note 6 – Other receivables

Other receivables consisted of accounts receivables that were factored to a trust company, employee advances, station advances, and bidding deposits. For the years ended June 30, 2009, the Company had a factoring agreement with a third party unrelated trust company wherein it transferred its receivables for cash during the fourth quarter of 2009. (See Note 3 – supplemental disclosures of cash flow information for more details) As of June 30, 2009, the Company had not collected \$3.6 million from the trust company and recorded the uncollected balances as other receivable. The Company received its remaining balances in July 2009.

Note 7 – Plant and equipment

Plant and equipment consist of the following as of June 30, 2009 and 2008:

	2009	2008
Transportation equipment	\$ 20,375,873	\$ 20,286,866
Plant machinery	6,246,380	1,894,585
Office equipment	95,556	43,057
Construction-in-progress	3,369,500	295,033
Total	30,087,309	22,519,541
Less: accumulated depreciation	(7,997,592)	(5,789,321)
Plant and equipment, net	\$ 22,089,717	\$ 16,730,220

Construction-in-progress represents labor costs, materials, and capitalized interest incurred in connection with the construction of a new mixer station inside the current plant facility in Beijing. No depreciation is provided for construction-in-progress until it is completed and placed into service. Most construction-in-progress is related to assembling of portable machinery we purchased with cash and in general the assembling process can be done in less than three weeks. Therefore, no interest expense was capitalized as the capitalized interest was not significant.

Depreciation expense for the years ended June 30, 2009 and 2008 amounted to \$2,184,462 and \$1,178,745, respectively. For the years ended June 30, 2009 and 2008, no material interest amounts were capitalized.

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Note 8 – Prepayments

Prepayments comprised of short-term and long-term factory rental prepayments the Company made during the fourth quarter of 2009 and also prepayments for inventory purchases. Prepayments as of June 30, 2009 and 2008 consisted of the following:

	2009	2008
Prepayments for inventories	\$ 2,431,401	\$ 3,240,394
Short term prepayments-rent	1,823,925	-
Total prepayments	\$ 4,255,326	\$ 3,240,394

Long term prepayments represented the non-current portion of the factory rental prepayments the Company made during the fourth quarter of 2009. As of June 30, 2009 and 2008, long term prepayments amounted to \$4,794,746 and \$0, respectively. Rent payments for the next five years ended June 30 amounted to \$6,618,671 and consists of the following:

Years ending June 30,	Amount
2010	\$ 1,823,925
2011	1,421,050
2012	1,421,050
2013	1,249,446
2014	703,200
Thereafter	-

Note 9 – Short term loans

Short term loans represent amounts due to various banks, finance companies, unrelated companies with existing business relationships with the Company, and the Company's employees, that are due on demand or within one year. These loans are renewable. As of June 30, 2009 and 2008, the outstanding balances on these loans were \$4,512,200 and \$4,271,222, respectively, and these loans consisted of the following:

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	2009	2008
Loan from Huaxia Bank, effective interest rate of 7.56% per annum, due November 16, 2008, guaranteed by the Company's shareholder, Mr. Han Xianfu, fully paid as of December 31, 2008.	\$ -	\$ 2,918,000
Loan from Beijing International Trust Co, Ltd. interest rate of 15% per annum, due July 15, 2009, guaranteed by Rayland Credit Guarantee Co. Ltd., paid off in July 2009	4,395,000	-
Loan from Beijing Hengxin Huaxing Auto Accessories Company, unrelated entity, non-interest bearing, fully paid as of December 31, 2008.	-	379,340
Loan from Beijing Hongda Huaxin Wujinjidian Company, unrelated company, non-interest bearing, fully paid as of December 31, 2008.	-	204,260
Loan from Beijing Sigi Qingbaosan Cement Company, unrelated company, non-interest bearing, fully paid as of December 31, 2008.	-	116,720
Loan from Xia Hua Qing, unrelated individual, non-interest bearing, fully paid as of December 31, 2008.	-	128,392
Loan from various employees, effective interest rate of 20% per annum, due upon demand, unsecured.	117,200	524,510
Total short term loans	\$ 4,512,200	\$ 4,271,222

Interest expense on short-term loans for the years ended June 30, 2009 and 2008 amounted to \$802,804 and \$310,875, respectively.

Note 10 – Related party transactions

Other payables – shareholder

Beginning in July 2007, Mr. He Weili, a 38.10% shareholder, leased an office space to the Company at approximately the current fair market value from July 2007 to June 2009 with annual payment of \$197,245. For the years ended June 30, 2009 and 2008, the Company recorded rent expense from the shareholder in the amount of approximately \$173,246 and \$162,827, respectively. As of June 30, 2009 and 2008, approximately \$56,046 and \$129,402, respectively, remained unpaid, and is included as other payables - shareholder.

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The Company's shareholders Mr. Han Xianfu and Mr. He Weili, who have 57.15% and 38.10% indirect ownership interests in BVI-ACM, respectively, together loaned \$750,900 to BVI-ACM on March 12, 2008, for the entity's cash flow purposes. The loan is non-interest bearing, unsecured, and is payable in cash on demand.

Total other payables - shareholders as of June 30, 2009 and 2008 are as follows:

	2009	2008
Han Xianfu, shareholder	\$ 450,550	\$ 450,550
He Weili, shareholder	356,396	429,752
Total other payable – shareholder	\$ 806,946	\$ 880,302

Other receivable

Other receivable includes monies advanced to an entity that was in part formerly owned by Mr. He Weili. Prior to the reverse acquisition (Note 1), the Company and this related entity were engaged in joint contracts, business licenses, and other partnership agreements. Pursuant to the reverse acquisition, the Company and this related entity began separate operations and the process of obtaining separate contracts, business licenses, and other partnership agreements were initiated. To date, the Company and this related entity are finalizing the aforementioned process of obtaining separate contracts, business licenses, and agreements.

Due to the relationship of the two companies, certain monies were exchanged as part of their joint contracts. During the year ended June 30, 2009, the Company advanced approximately \$13,032,000 to this entity, and approximately \$13,298,000 was repaid. As of June 30, 2009, the balance of other receivable for related party transaction was \$0.

The other receivable balance of \$3.8 million consisted primarily accounts receivable that were factored to an unrelated third party trust company but had not collected the cash from the trust company as of June 30, 2009. The company did receive the remaining balances in July 2009. (See footnote 6 – other receivable)

Note 11 – Income taxes

Corporate income taxes

Companies established before March 16, 2007, will continue to enjoy tax holiday treatment approved by the local government for a grace period of either for the next five years or until the tax holiday term is completed, whichever is sooner. These companies will pay the standard tax rate when the grace period expires. The Company had received its tax holiday treatment until December 2007. During the fourth quarter of the year, the Company has applied and received the Enterprise High-Tech Certificate. The certificate was awarded based on the Company's involvement in producing high-tech products, its research and development, as well as its technical services. As a result of this certification, the Company's effective income tax rate has been reduced to 15% from 25%. The new tax rate will be retroactive to January 1, 2009 and will be effective for three years, through December 31, 2011.

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The Company was granted income tax exemption from January 1, 2003 to December 31, 2007. Beginning on January 1, 2008, the Company and its subsidiaries were subject to an EIT rate of 25%. The Company was granted a 10% tax deduction on 90% of the total sales revenue by the local authority due to the Company's utilization of recycled raw materials. Beginning on January 1, 2009, the Company and its subsidiaries were subject to an EIT rate of 15%. For the years ended June 30, 2009 and 2008, the provision for income taxes amounted to \$2,115,097 and \$1,012,382, respectively. The Company did not have provision for income taxes due to the income tax exemption for the first six months ended on December 31, 2007. The estimated tax savings for the year ended June 30, 2008 amounted to \$816,413. If the income tax had been applied, the basic and diluted earnings per share would have decreased by \$0.08 per share for the year ended June 30, 2008.

The following table reconciles the U.S. statutory rates to the Company's effective tax rate for the years ended June 30, 2009 and 2008:

	2009	2008
U.S. statutory rates	34%	34%
Foreign income not recognized in the U.S.	(34)%	(34)%
China income taxes	25%	25%
China income tax exemption	(3)%	(9)%
Other(a)	(7)%	-
Effective income tax rates	15%	16%

(a) The 7% represents the expenses incurred by the Company that were not deductible for PRC income tax for the year ended June 30, 2009.

Taxes payable consisted of the following:

	June 30, 2009	June 30, 2008
Income taxes payable	\$ 3,039,905	\$ 1,072,747
Other taxes	8,274	490
Total taxes payable	\$ 3,048,179	\$ 1,073,237

Note 12 – Shareholders' equity

On June 11, 2008, the Company completed an offering (the "Offering") on the sale of 875,000 of investment units for a total of \$7,000,000, each unit consisting of one share of the Company's Series A Convertible Preferred Stock, \$0.001 par value per share, and one (1) five year warrant to purchase two shares of Common Stock (the "Warrants"). Each preferred share is convertible into four shares of common stock. Additionally, each holder is entitled to cumulative dividends equal to 9% annually, payable in cash, irrespective of the profitability of the Company.

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The Company received net proceeds of approximately \$5,223,291 with \$930,000 in an escrow and after payment of certain fees and expenses. \$497,500 was paid to Maxim Group LLC ("Maxim") who served as the placement agent for the transaction, \$9,500 was paid to American Stock Transfer & Trust Company as a transfer agent fee, \$60,000 was paid to the attorney, and \$45,000 was paid for a finance fee for the purchasers in connection with the transaction. These offering costs approximating \$602,500 were charged to additional paid-in capital. The allocation of the proceeds from the investment to a relative fair value basis which resulted in the allocation of \$5,798,000 to the Series A Preferred and \$1,202,000 to the warrants.

The following is a summary of our current Redeemable Convertible Preferred Stock issued and outstanding net of discount:

	As of June 30, 2009	As of June 30, 2008
Numbers of Redeemable Convertible Preferred shares outstanding in the beginning of the fiscal year	875,000	875,000
Redeemable Convertible Preferred shares converted to Common share during the fiscal year	(23,875)	-
Current Redeemable Convertible Preferred shares outstanding	851,125	875,000
Per share conversion price from Redeemable Convertible Preferred shares to Common share	\$ 8	\$ 8
Current Redeemable Convertible Preferred outstanding before discount	\$ 6,809,000	\$ 7,000,000
Discount on Redeemable Convertible Preferred shares outstanding	\$ (567,581)	\$ (1,168,548)
Total Current Redeemable Convertible Preferred stocks net of discount	\$ 6,241,419	\$ 5,831,452

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The Company also issued to the placement agent a warrant to purchase an aggregate of 245,000 shares of common stock with an exercise price of \$2.40 per share with a term of five years. The warrants are exercisable on a cashless basis, in whole or in part, at an exercise price equal to \$2.40 per share. The Company may call the warrants for redemption at any time after the warrants become exercisable (i) at a price of \$.01 per warrant; (ii) upon not less than 30 days' prior written notice of redemption to each warrant holder; and (iii) if, and only if, the last sale price of the common stock equals or exceeds \$5.00 per share, for any twenty (20) trading days within a thirty (30) consecutive trading day period ending on the third business day prior to the notice of redemption to warrant holders.

The value of the warrants issued to the placement agent was \$169,345 calculated by using the Cox-Ross-Rubinstein ("CRR") Binomial Model. The fair value of these warrants of \$169,345 was recognized as offering expense and charged to additional paid-in capital. The value of the warrants was determined using the CRR Binomial Model using the following assumptions: volatility 75%; risk-free interest rate of 3.49% of the Investor Warrants, the Placement and Advisory Warrants; dividend yield of 0%, and expected term of 5 years of the Investor Warrants and the Placement and Advisory Warrants. The volatility of the Company's common stock was estimated by management based on the historical volatility of a similar U.S. public company due to limited trading history of the Company's common stock. The risk-free interest rate was based on the Treasury Constant Maturity Rates published by the U.S. Federal Reserve for periods applicable to the expected life of the warrants. The expected dividend yield was based on the Company's current and expected dividend policy and the expected term is equal to the contractual life of the warrants.

Following is a summary of the status of warrants outstanding:

Outstanding Common Stocks Underlying Warrants		
Exercise Price	Number	Average Remaining Contractual Life
\$2.40	1,750,000	3.92 years
\$2.40	245,000	3.92 years
Total	1,995,000	

Following is a summary of the warrant activity:

	Number of Warrants
Outstanding as of June 30, 2007	-
Granted	1,995,000
Forfeited	-
Exercised	-
Outstanding as of June 30, 2008	1,995,000
Granted	-
Forfeited	-
Exercised	-
Outstanding as of June 30, 2009	1,995,000

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In connection with the private placement, the Company agreed to file a registration statement to register the warrants and common stock issuable upon conversion of the preferred stock and exercise of the warrants, as defined. The registration statement was declared effective in January 2009, the Company incurred \$140,000 penalties for late registration and was paid based on the contract in connection with the private placement.

Additionally, the Company's officers, directors and majority shareholders, Han Xianfu and He Weili, entered into a Lock-Up Agreement with the investors whereby both Han Xianfu and He Weili agreed they will not, offer, pledge, sell or otherwise dispose of any shares of the Company's common stock or any securities convertible into or exercisable or exchangeable for common stock during the period beginning on and including the date of the final closing of the Offering through and including the earlier of (i) two (2) years after the final closing of the Offering, (ii) the voluntary conversion of all outstanding shares of preferred stock, (iii) the mandatory conversion of all outstanding shares of the Company's preferred stock, or (iv) the sale of the Company.

Pursuant to an escrow agreement signed between the Company, Maxim and the investors on June 11, 2008, the Company placed a total of \$930,000 in an escrow account with the Company's legal counsel, \$630,000 of which will be used for the payment of dividends on the preferred stock which the Company shall be obligated to replenish each year prior to the year's end, and \$300,000 of which will be used for the payment of investor relation fees. As of June 30, 2009, restricted cash balance amounted to \$453,192.

Pursuant to the Make Good Escrow agreement, signed between the Company, American Stock Transfer Trust Company, the shareholders Han Xianfu and He Weili, and the investors on June 11, 2008, the shareholders agreed to transfer a total of 3,500,000 shares of common stock into the name of the escrow agent if the Company fails to meet certain performance thresholds: (1) \$5,200,000 of net income (calculated on a pre-tax basis solely with respect to 2008) for 2008; (2) \$9,000,000 of net income for 2009; (3) net income equal or greater than the Company's net income for 2009, for 2010. The Company has determined that the requirement for the period ended June 30, 2009 has been met.

On May 1, 2008, the Company issued 25,000 common shares to a Company executive, par value \$0.001 for services the executive renders to the Company. The shares become fully vested after one year from the date of grant. On July 31 2008, the executive's employment with the Company terminated, and the 25,000 shares were forfeited upon resignation.

On October 3, 2008, the Company entered into a one-year agreement with one of the Company's board of directors. In connection with his services, the Company issued an aggregate of 50,000 options of the Company's common stock at an exercise price of \$2.90 per share. The options vest in equal quarterly installments over the first year of the agreement.

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On December 1, 2008, the Company entered into a three-year agreement with the Company's Chief Financial Officer. In connection with his services, the Company issued a total of 200,000 options of the Company's common stock from the option bonus pool. The option bonus pool consists of four equal tranches of 50,000 options, with the first tranche of 50,000 options carrying an exercise price of \$3.00, the second tranche of 50,000 options carrying an exercise price of \$3.50, the third tranche of 50,000 options carrying an exercise price of \$4.00, and the fourth tranche of 50,000 options carrying an exercise price of \$4.50. A quarter (25%) of each tranche of options will vest at the end of each twelve-month period of the agreement.

The Company valued the stock options by the Cox-Ross-Rubinstein ("CRR") binomial model with the following assumptions:

	Expected Term	Expected Volatility	Dividend Yield	Risk Free Interest Rate	Grant Date Fair Value
Chief Financial Officer	6.25	75%	0%	1.16%	\$ 3.00
Director	5.31	75%	0%	1.41%	\$ 2.90

The following is a summary of the option activity:

	Number of options
Outstanding as of June 30, 2007	-
Granted	-
Forfeited	-
Exercised	-
Outstanding as of June 30, 2008	-
Granted	250,000
Forfeited	-
Exercised	-
Outstanding as of June 30, 2009	250,000

Following is a summary of the status of options outstanding at June 30, 2009:

Outstanding options			Exercisable options		
Average Exercise price	Number	Average remaining contractual life (years)	Average Exercise price	Number	Weighted average exercise price
\$ 2.90	50,000	9.33	\$ 2.90	25,000	\$ -
3.00	50,000	9.67	-	-	-
3.50	50,000	9.67	-	-	-
4.00	50,000	9.67	-	-	-
4.50	50,000	9.67	-	-	-
\$ 3.58	250,000		\$ 2.90	25,000	\$ -

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As of June 30, 2009, there was approximately \$312,000 of total unrecognized compensation expense related to un-vested share-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of three years.

For the years ended June 30, 2009 and 2008, the Company recognized approximately \$107,000 and \$5,542, respectively, as compensation expenses for its stock option plan.

Note 13 – Contribution receivable

On July 8, 2005, Xin Ao's board of directors passed a resolution to increase the registered capital from \$3,630,000 (RMB30 million) to \$12,100,000 (RMB100 million). The increase in registered capital of \$8,470,000 (RMB70 million) was funded by the undistributed profits as of June 30, 2005. Based on the PRC government's regulations, all companies are required to record its capital in accordance with the business license, and since Xin Ao did not have sufficient undistributed profits as of June 30, 2005, the unfunded amount has been recorded as contribution receivable. Since the capital should be contributed by the shareholders of the Company, the contribution receivable was recorded as part of the equity transaction.

Further, pursuant to BVI-ACM's establishment of China-ACMH in November 2007, BVI-ACM was required to pay 15% of \$5,000,000 by February 22, 2008, and the remaining balance by November 22, 2009, in accordance with the laws of the PRC.

On March 30, 2008, Xin Ao's board of directors approved to transfer \$7,260,000 from undistributed retained earnings into registered capital of the Company. Contemporaneously, China-ACMH made a payment of \$5,000,000 and BVI-ACM made a payment of \$100 to the Company. As of June 30, 2009, a contribution receivable in the amount of \$1,210,000 remains unpaid.

Contribution receivable consisted of the following:

	Xin Ao	CHINA-AC MH	BVI-ACM	Total
Balance, June 30, 2007	\$ 8,470,000	\$ 5,000,000	\$ 100	\$ 13,470,100
Less: contribution received	(7,260,000)	(5,000,000)	(100)	(12,260,100)
Balance, June 30, 2008	\$ 1,210,000	\$ -	\$ -	\$ 1,210,000
Less: contribution received	-	-	-	-
Balance, June 30, 2009	\$ 1,210,000	\$ -	\$ -	\$ 1,210,000

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Note 14 – Reserves and dividends

The laws and regulations of the PRC require that before a foreign invested enterprise can legally distribute profits, it must first satisfy all tax liabilities, provide for losses in previous years, and make allocations, in proportions determined at the discretion of the board of directors, after the statutory reserves. The statutory reserves include the surplus reserve fund and the common welfare fund.

The Company is required to transfer 10% of its net income, as determined in accordance with the PRC accounting rules and regulations, to a statutory surplus reserve fund until such reserve balance reaches 50% of the Company's registered capital.

The transfer to this reserve must be made before distribution of any dividends to the Company's shareholders. The surplus reserve fund is non-distributable other than during liquidation and can be used to fund previous years' losses, if any, and may be utilized for business expansion or converted into share capital by issuing new shares to existing shareholders in proportion to their shareholding or by increasing the par value of the shares currently held by them, provided that the remaining reserve balance after such issue is not less than 25% of the registered capital.

The Chinese government restricts distributions of registered capital and the additional investment amounts required by foreign invested enterprises. Approval by the Chinese government must be obtained before distributions of these amounts can be returned to the shareholders.

Note 15 – Earnings per share

The following is a reconciliation of the basic and diluted earnings per share computation for the years ended June, 2009 and 2008:

	2009	2008
Basic earning per share		
Net income available to common shareholders	\$ 10,839,016	\$ 5,130,797
Weighted average shares outstanding-Basic	10,526,719	9,064,359
Earnings per share-Basic	\$ 1.03	\$ 0.57
Diluted earning per share		
Net income available to common shareholders	\$ 10,839,016	\$ 5,130,797
Add: Dividends on preferred stock	628,505	-
Add: Accretion on preferred stock	600,968	33,387
Net income for diluted EPS	\$ 12,068,489	\$ 5,164,184
Weighted average shares outstanding-Basic	10,526,719	9,064,359
Warrants	14,671	-
Preferred stock	3,491,089	191,257
Weighted shares outstanding-Diluted	14,032,479	9,255,616
Earning per share-Diluted	\$ 0.86	\$ 0.56

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On June 11, 2008, the Company issued 875,000 shares of preferred stock, each of which can be converted into four shares of common stock. The convertible preferred stock is mandatorily redeemable for cash at the end of two years if not yet converted. As of June 30, 2009, 23,875 of the preferred stock had been converted into 95,500 of common stock. Dividends on the preferred stock and accretion of the initial discount from the redemption value of the preferred stock, both of which are charged to retained earnings, are subtracted from net income to determine net income available to common shareholders for the purposes of computing basic earnings per share. In calculating diluted earnings per share, the convertible preferred stock is treated as common stock equivalents on an as-converted basis, on which basis the weighted average common shares outstanding for the years ended June 30, 2009 and 2008 were 3,491,089 and 191,257 shares, respectively. The dividends and accretion on the preferred stock are added back to the net income available to common shareholders for calculating diluted earnings per share, as if the preferred stock were converted at the beginning of the period. For the years ended June 30, 2009 and 2008, total dividend and accretion were \$1,229,472 and \$33,387, respectively. For the year ended June 30, 2009, 12,500 stock options at an exercise price of \$2.90 per share were excluded in the diluted EPS calculation because of their anti-dilutive effect. For year ended June 30, 2009, 1,995,000 warrants at an exercise price of \$2.40 per share were included in the diluted EPS calculation based on approximately \$2.418 per average outstanding share for the year, which under the treasury stock method resulted in 14,671 additional shares of common stock for the year ended June 30, 2009.

Note 16 – Employee pension

The Company offers a discretionary pension fund, a defined contribution plan, to qualified employees. The pension includes two parts: the first to be paid by the Company is 20% of the employee's actual salary in the prior year. The other part, paid by the employee, is 8% of the actual salary. The Company's contributions of employment benefits, including pension were approximately \$81,000 and \$45,000 for the years ended June 30, 2009 and 2008, respectively.

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Note 17 – Operating leases

The Company entered into a lease agreement for a manufacturing plant with an unrelated party from October 1, 2008 to September 30, 2013 with monthly payment of \$16,000. Further, the Company agreed to lease office space from the Company's shareholder, Mr. He Weili, from July 2007 to June 2009 with annual payment of \$197,245, the rent is valued at fair value from the main property management.

The Company entered into three different five-year operating lease agreements during the fourth quarter of 2009. The lease payments are for three manufacturing plants with various unrelated parties for a total monthly payment of \$176,000. Certain lease payments have been pre-paid by transferring the Company's long-term accounts receivable to the lessors as the Company believes that a lump-sum pre-payments from aging receivable in exchange for agreeing to no increase in the future lease will benefit its future operation.

Total operating lease expense for the years ended June, 2009 and 2008 was \$370,513 and \$309,840, respectively, and is included in selling, general, and administrative expenses. Future minimum annual lease payments under non-cancelable operating leases with a term of one year or more consist of the following:

Years ending June 30,	Amount
2010	\$ 424,930
2011	929,894
2012	929,894
2013	1,101,498
2014	953,986
Thereafter,	-

Note 18 – Commitments and contingencies

Litigation

From time to time, the Company is a party to various legal actions arising in the ordinary course of business. The Company's management does not expect the legal matters involving the Company would have a material impact on the Company's consolidated financial position or results of operations.

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Following is the summary of the current litigation:

Beijing Xin' Ao Concrete Co., Ltd vs. Beijing Boda Guosheng Investment Co., Ltd. (Beijing District Court, PRC)

In August 2006, Xin Ao filed a lawsuit against Beijing Boda Guosheng Investment Co., Ltd ("Boda") seeking specific performance of Boda's obligations under the sales contract to pay approximately \$275,380 (RMB 2,000,000) for the cement supplied by Xin Ao between March 2005 and June 2005 and compensatory damages of approximately \$23,500 (RMB 171,000) to cover the interest incurred on the unpaid balance. The Court ruled against Boda and ordered Boda to pay the amounts requested by Xin Ao; however, Boda appealed the court's rulings. In November 2007, the Appeals Court upheld the original verdict and again ordered Boda to pay all the damages. Management does not believe that the ultimate outcome of this case will have a material adverse effect on the Company's consolidated financial position or results of operations. As of June 30, 2009, the Company has not received the payment from Boda, and management has estimated that the collectability of the receivable is deemed low. Therefore, the consolidated financial statements do not reflect this amount.

Yunwei Zhang vs. Beijing Xin' Ao Concrete Co., Ltd. (Beijing District Court, PRC)

In May 2006, an action against Xin Ao and Beijing Shangdi Xinda Company was filed by Yunwei Zhang ("Shangdi") in Beijing District Court seeking payment of approximately \$112,000 (RMB 814,000) for damages caused by Qingbao Zhang, a contracted driver of Xin Ao and an employee of Zhangbei County Labor Service Co., Ltd. The vehicle involved in the accident is owned by Beijing Shangdi Xingda Company who leased to Xin Ao who subsequently leased the vehicle to Zhangbei County Labor Service Company. On June 16, 2008, the Court ruled against Xin Ao and Shangdi to pay the damages incurred to Yunwei Zhang in the accident. Xin Ao is responsible for approximately \$39,000 (approximately RMB 273,000) for the damages,. and as of June 30, 2009, the Company has paid approximately \$35,000

Note 19 – Subsequent Events

On July 14, 2009, The Company was issued the Enterprise High-Tech Certificate within PRC. The certificate was awarded based on the Company's involvement in producing high-tech products, its research and development, as well as its technical services. As a result of this certification, the Company's effective income tax rate has been reduced to 15% from 25%. The new tax rate will be retroactive to January 1, 2009 and will be effective for three years, through December 31, 2011. The Company also has been approved for a 6% value added tax credit by the State Administration of Taxation, extending its prior credit for an additional two years. Due to the fact that China ACM uses recycled raw materials to manufacture its products, the State Administration of Taxation had previously granted the company a VAT exemption from August 2005 through August 2009. The two year extension provides China ACM an exemption from the VAT through August 2011.

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On July 19, 2009, the Company paid off its loan from Beijing International Trust Co., Ltd in the amount of \$4,395,000 and it was not renewed.

On July 28, 2009, the Company entered into subscription agreements (the "Subscription Agreements") with 357 Chinese investors (the "Investors") pursuant to which the Company issued and sold to the Investors, and the Investors purchased from the Company, an aggregate of 650,988 shares of the Company's common stock, par value \$0.001, (the "Common Stock") for an aggregate purchase price of \$1,497,272, or \$2.30 per share of common stock.

The Company has performed an evaluation of subsequent events through September 22, 2009, which is the date the financial statements were issued.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on September 28, 2009

CHINA ADVANCED CONSTRUCTION MATERIALS GROUP, INC.

By: /s/ Xianfu Han
Xianfu Han
Principal Executive Officer

By: /s/ Chin Hsiao
Chin Hsiao
Principal Financial and
Accounting Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Xianfu Han Xianfu Han	Chief Executive Officer and Chairman of the Board	September 28, 2009
/s/Weili He Weili He	Vice Chairman and Chief Operating Officer	September 28, 2009
/s/Chin Hsiao Chin Hsiao	Principal Financial and Accounting Officer, Director	September 28, 2009
/s/Jeremy Goodwin Jeremy Goodwin	Director	September 28, 2009
/s/Denis Slavich Denis Slavich	Director	September 28, 2009
/s/Sean Wang Sean Wang	Director	September 28, 2009
/s/Larry Goldman Larry Goldman	Director	September 28, 2009