Asia Carbon Industries, Inc.
OTC QB: ACRB

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OVERVIEW

Asia Carbon Industries Inc. ("Asia Carbon" or the "Company") is a China-based producer of a series of high quality carbon black products under the brand name "Great Double Star." The Company was established in 2003 in Shanxi, China's highest coal producing province. Asia Carbon is one of the top ten carbon black producers in the province and has established relationships with a high-profile customer base.

Demand for the Company's products has been growing consistently since inception, and this trend is expected to continue for the foreseeable future. In an effort to meet this anticipated demand, management has initiated an expansion plan to increase the Company's manufacturing capabilities, particularly for its higher quality wet-process product. In October 2010 the Company completed the first phase of this plan, converting one of its existing dry process manufacturing lines to a wet process facility.

Asia Carbon Industries' Chinese operating company, Taiyuan HongXing Carbon Black Limited Company ("HongXing") was established by Ms. Yao Guoyun in December 2003, under the approval of the Shanxi Development and Reform Commission. The Company entered into a 50-year lease agreement on 109 hectares, of which 60 hectares are currently industrial land and the remaining 49 hectares are approved for transformation to industrial land.

In November 2008, a contractual arrangement was initiated between HongXing and a wholly-owned foreign owned enterprise, or "WOFE" formed in the PRC, whereby the WOFE is entrusted to manage and operate HongXing. The parent company of the WOFE, Asia Carbon Industries Inc., was incorporated on June 26, 2008, under the laws of the State of Maryland, United States. The net effect of this structure is the consolidation of the financial statements of Asia Carbon, the WOFE, and HongXing, Carbon Black, Ltd.

PRODUCTS AND TECHNOLOGY

Carbon black is a deep black powder with a number of applications. Derived from the controlled combustion of coal tar or residual oil feedstock, carbon black's desirable chemical properties make it a critical raw material for many industries. It is widely used within the rubber industry as a reinforcing filler; the paint and coating industry use carbon black as a coloring agent and it is used in batteries as a conductive agent. The vast majority of carbon black is used by the tire industry, where it can improve rubber's strength, wear resistance, and life span, and thus lowers the overall cost of tire products.

Asia Carbon currently manufactures four carbon black products, one hard and two soft. The selling price of hard carbon black is slightly higher than that of soft carbon black. Although the manufacturing cost of hard carbon black is a little higher than that of soft carbon black, the demand for hard carbon black is significantly higher than the demand for the soft product.

In July 2010, the Company began sales of naphthalene oil, a by-product of the carbon black production process. Revenues generated from naphthalene sales have had a positive impact on Asia Carbon's financial performance and this trend is expected to continue as the Company increases its production levels.

In October 2010, Asia Carbon launched its first wet production line. This has had a significant impact on the Company's financial performance, as the process results in a higher quality product, enabling Asia Carbon to charge a premium price and generate superior margins.

PRICING

At the end of 2011, the market price of dry N220 hard carbon black was $1,008 per ton, of wet N220 hard carbon black was $1,090 per ton, of N330 hard carbon black was $952 per ton, and of N660 soft carbon black was $934 per ton. In terms of profitability, wet N220 is the most profitable product (the cost of producing wet N220 is the lowest among the three products). Producing a ton of wet N220 carbon black requires roughly 1.7 tons -1.8 tons of coal tar, and the profit margin is about 30%; producing a ton of wet N660 soft carbon black requires roughly 1.7 – 1.8 tons of coal tar, and the profit margin is about 18%; while producing a ton of N220 or N330 hard carbon black requires about 1.9 tons of coal tar, and the profit margin is only 6% -11%.

MARKET OPPORTUNITY

According to a report from the Freedonia Group, the world market for carbon black is 9.4 million metric tons and is forecast to rise 4.3 percent annually through 2013, with the Asia/Pacific region posting the strongest gains.

According to a report by Dong Fang Securities, the rubber industry accounts for 89.5% of worldwide carbon black output, 67.5% of which is used for tire manufacturing, 9.5% is used for other rubber car parts (such as fan belts, bumpers, etc). Other industries account for 10.5%.

China is the world's second largest producer of carbon black and demand continues to increase for a variety of reasons. Domestically, China has experienced substantial economic growth in the past decade and the growing middle class has resulted in a burgeoning automobile industry. Data released on March 1 by the National Bureau of Statistics of China show that the number of registered automobiles for civilian use reached 90.86 million units at the end of 2010, up 19.3% from a year earlier. The tire demand in the aftermarket is also on healthy ground. Vehicle owners have

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Or visit the Company's website: www.asiacarbonindustries.com

replaced about 100 million tires in 2009, which represented about 11% of global sales. The demand for replacement tires is about twice that for OEM tires, accounting for more than two-thirds of the domestic tire market. Asia Carbon stands to benefit from this trend, as an estimated 89% of its sales are to automotive and related companies.

EXPANSION STRATEGY

With a solid customer base, quality product and growing sales team, the Company is looking to capitalize on the forecast growth in demand for its products.

To that end, the Company has initiated an expansion strategy which will result in an estimated annual capacity of 24,000 tons of dry production and 85,000 of wet carbon black by the end of 2012. This plan includes the addition of three, state-of-the-art "wet" granulation production facilities and the construction of a small power plant which will enable the Company to use the coke oven gas byproduct of production to generate the energy necessary to run a portion of its operation. The first of the three wet productions lines was completed in the fourth quarter of 2010 and is currently fully operational.

FINANCIAL DISCUSSION

Sales for 2011 totaled $49,122,044, an increase of $19,435,168 or 65%, compared to $29,686,876 for 2010. Increases in the metric tons sold accounted for approximately 86% of increase in sales, and the remaining 14% increase in sales was attributable to the increase of unit sales price. The average sales price of Asia Carbon products was $989 per metric ton during 2011, an increase of $95 per ton, or 11%, from $894 per ton during 2010.

Net income was $7,311,281 in 2011, an increase of $4,037,424, or 123%, compared to $3,273,857 in 2010. Net income per share was $0.14 in 2011, and increase of $0.07, or 100%, compared to $0.07 in 2010. Increase in net income resulted from our new production capacity and improved gross margin rate.

Select Consolidated Income Statement Data
For the Periods
(figures are in US$)

	Years Ended December 31, (audited)		
	2011	**2010**	**2009**
Revenue	$49,122,044	$29,686,876	$20,648,686
Gross profit	11,301,935	5,696,925	4,424,863
Operating Income	10,093,969	4,703,682	4,129,186
Net income	$7,311,281	$3,273,857	$2,985,848
EPS	$0.14	$0.07	$0.07
Wtd avg shares outstanding	50,666,166	48,512,458	41,300,303

MANAGEMENT

Yao Guoyun, Chairman, Chief Executive Officer and President
Ms. Yao is responsible for the day-to-day operation of the Company. Prior to joining Asia Carbon she served as general manager of Chongxing Qingxu County Tapestry Ltd. She has also worked at Qingxu County City Management No. 11 Team, which engaged in construction work. Yao participated in the "National Economy Training Program of Women" in Shanxi Province in 2006. She was awarded "Woman of the Year in Taiyuan Economy" in 2007, and was elected to the Chinese People's Political Consultative Conference (CPPCC) Committee in Qingxu County for two consecutive terms (2007, 2008).

Meng Chunde, Chief Operating Officer and Director
Mr. Meng initially joined the Company to lead market development, and is now responsible for operations and sales. Prior to joining Asia Carbon he served as Chairman of Chongxing Qingxu County Tapestry Limited. He was awarded the honorary titles "Model Worker in Qingxu County" in 2006 and "Economy Model in Qingxu County" in 2007.

Xiaolong Zhou, Chief Financial Officer
Mr. Zhou was appointed CFO in April 2007. He had been a senior accountant in Liss Okou Goldstein Okun and Tancer CPA'S P.C. in New York for the prior nine years. He is a CPA, registered in the state of New York, a member of American Institute of Certified Public Accountants, and the New York State Society of Certified Public Accountants. Mr. Zhou earned an M.B.A. in Accountancy from Baruch College of CUNY, an M.A. in Economics from City College of CUNY, and a B.A. in Economics from Fudan University, Shanghai, China.

Shi Lei, Vice President - Finance, Director
Mr. Shi graduated from Shanxi Finance & Taxation College in 1988 and worked at the IRS of Qingxu County as a tax collector. He has broad work experience in taxation and corporate finance.

Wang Jianjun, Assistant Vice President - Finance, Director
Mr. Wang is a certified accountant. Prior to joining the Company, he was an accountant at Taiyuan Gengyang Industrial Group Corporation, Shanxi Longhui Gas Co., Ltd, and Shanxi Yaxin Coal Co., Ltd.

Michael Segal, Director
Mr. Segal has been a director of the Company since its inception. Since 2001, he has been President of Segal Cirone Services Inc., a financial consulting company that advises institutions, banks and high net worth individuals. He is President and CEO of Halcyon Cabot Partners, Ltd., a member of FINRA since January 2010. From 2003 to 2009 Mr. Segal was a Principal, Option Compliance Principal and Branch Manager of Whitaker Securities LLC. He is a registered Commodity Trading Advisor with the Commodity Futures Trading Commission (CFTC) and a founding member of the Managed Funds Association. Mr. Segal received a B.B.A. in marketing and economics from the University of Miami in Florida.