

CONCH



2008 INTERIM REPORT

**Anhui Conch
Cement Company Limited**

(A Share: 600585 H Share: 0914)

Important Notice

The Board, the supervisory committee, the Directors, the supervisors and senior management of the Company hereby warrant that the information contained in this report does not contain any misrepresentation, misleading statements or material omission, and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of its contents contained herein.

Mr. Guo Wensan (Chairman), Mr. Ren Yong (General Manager) and Mr. Zhou Bo (Head of Finance Department) hereby declare that they warrant that the financial statements contained herein are true and complete.

During the Reporting Period, none of the controlling shareholder or its subsidiaries had used any of the Company's funds.

The financial statements set out herein are unaudited, but have been reviewed by the audit committee of the Board of the Company.

Unless otherwise stated, all monetary amounts are denominated in RMB, the lawful currency of the PRC, and all financial data are prepared in accordance with PRC Accounting Standards in this report.

Definitions

The following terms contained in this report shall, unless the context otherwise requires, have the following meanings:

The Company/Company /Conch	: Anhui Conch Cement Company Limited
The Group	: The Company and its subsidiaries
Digang Conch	: Anhui Digang Conch Cement Co., Ltd.
Zongyang Conch	: Anhui Zongyang Conch Cement Co., Ltd.
Chizhou Conch	: Anhui Chizhou Conch Cement Co., Ltd.
Tongling Conch	: Anhui Tongling Conch Cement Co., Ltd.
Fusui Xinning Conch	: Fusui Xinning Conch Cement Company Limited
Shuangfeng Conch	: Shuangfeng Conch Cement Co., Ltd.
Xing'an Conch	: Xing'an Conch Cement Co., Ltd.
Baimashan Cement Plant	: Baimashan Cement Plant of Anhui Conch Cement Company Limited
Xuancheng Conch	: Xuancheng Conch Cement Co., Ltd.
Wuhu Conch	: Wuhu Conch Cement Co., Ltd.
Prosperity Conch	: Prosperity Conch Cement Co., Ltd.
Yiyang Conch	: Yiyang Conch Cement Co., Ltd.
Shimen Conch	: Shimen Conch Cement Co., Ltd.
Hunan Conch	: Hunan Conch Cement Co., Ltd.
Beiliu Conch	: Beiliu Conch Cement Co., Ltd.
Huaining Conch	: Anhui Huaining Conch Cement Co., Ltd.
Zhongguo Plant	: Zhongguo Cement Co., Ltd.
Conch M & E	: Anhui Conch Machinery & Electric Co., Ltd.
Pingliang Conch	: Pingliang Conch Cement Co., Ltd.
Fenyi Conch	: Fenyi Conch Cement Co., Ltd.
Xingye Kuiyang Conch	: Xingye Kuiyang Conch Cement Co., Ltd.
Reporting Period	: The period from 1 January 2008 to 30 June 2008
Directors	: Directors of the Company
Board	: The board of Directors of the Company

Definitions

Conch Holdings	: Anhui Conch Holdings Co., Ltd.
Conch Venture	: Anhui Conch Venture Investment Company Limited
Conch Profiles	: Wuhu Conch Profiles and Science Co., Ltd.
A Shares	: Ordinary shares in the capital of the Company listed on the SSE, with a nominal value of RMB1.00 per share, which are subscribed for and traded in RMB
H Shares	: Foreign shares in the capital of the Company listed on the Stock Exchange, with a nominal value of RMB1.00 per share, which are subscribed for and traded in Hong Kong dollars
Stock Exchange	: The Stock Exchange of Hong Kong Limited
Listing Rules of the Stock Exchange	: The Rules Governing the Listing of Securities on the Stock Exchange
SSE	: Shanghai Stock Exchange
Listing Rules of SSE	: The Rules Governing the Listing of Stocks on the SSE
CSDCCL Shanghai Branch	: The Shanghai Branch of the China Securities Depository and Clearing Corporation Limited
Clinker	: Semi-finished products made in the process of cement
Hong Kong	: Hong Kong Special Administrative Region
RMB	: Renminbi, the lawful currency of the PRC, the currency unit used in this report, unless otherwise specified
PRC	: The People's Republic of China
CSRC	: China Securities Regulatory Commission

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Basic Corporate Information

- (1) **Official Chinese name of the Company** : 安徽海螺水泥股份有限公司
Official English name of the Company : ANHUI CONCH CEMENT COMPANY LIMITED
Abbreviation in English : ACC
- (2) **Legal representative of the Company** : Guo Wensan
- (3) **Secretary to the Board (Company Secretary)** : Zhang Mingjing
Contact number : 0086 21 68865096
0086 553 3115338
Fax number : 0086 553 3114550
Company secretary (Hong Kong) : Leo P. Y. Chiu
Contact number : 00852 2111 3220
Fax number : 00852 2111 3299
Securities Affairs Representative : Yang Kaifa
Contact number : 0086 553 3114546
0086 553 3115036
Fax number : 0086 553 3114550
Email address : dms@conch.cn
- (4) **Registered address and office address of the Company** : 209 Beijing East Road, Wuhu City, Anhui Province, the PRC
Postal code : 241000
Email address of the Company : cement@conch.cn
Website of the Company : <http://www.conch.cn>
Contact address in Hong Kong : 41/F, Jardine House, 1 Connaught Place, Central, Hong Kong
- (5) **Company's designated newspaper for information disclosure in the PRC** : Shanghai Securities Journal
Website for publication of this report : <http://www.sse.com.cn>
Location where this report is available for inspection : Secretariat to the Board of the Company

Basic Corporate Information

- (6) **Exchanges on which the Company's shares are listed:**
- | | |
|-------------------|------------------|
| H Shares | : Stock Exchange |
| Stock code | : 0914 |
| A Shares | : SSE |
| Stock code | : 600585 |
| Stock name | : Conch Cement |
- (7) **Date of first registration of the Company** : 1 September 1997
- Place of first registration of the Company** : Industrial and Commercial Administration Bureau, Anhui Province, the PRC
- Date of registration of changes in particulars of the Company** : 26 June 2008
- Place of registration of changes in particulars of the Company** : Industrial and Commercial Administration Bureau, Anhui Province, the PRC
- Business license number for legal persons** : 340000000000081
- Tax registration number** : GSWZ 34020214949036-X
DSWZ 34020214949036-X
- (8) **Legal adviser as to PRC law** : Jingtian & Gongcheng
15th Floor, Union Plaza,
20 Chaoyangmenwai Avenue,
Beijing, the PRC
- Legal adviser as to Hong Kong law** : Chiu & Partners
41st Floor, Jardine House,
1 Connaught Place, Central, Hong Kong
- (9) **International auditor** : KPMG Certified Public Accountants
8th Floor, Prince's Building,
10 Chater Road, Central, Hong Kong
- PRC auditor** : KPMG Huazhen Certified Public Accountants
8th Floor, Office Tower 2,
Oriental Plaza, 1 East Chang An Avenue,
Beijing, the PRC
- (10) **H Shares share registrar and transfer office** : Hong Kong Registrars Limited
17/F, Hopewell Centre, 183 Queen's Road
East, Wanchai, Hong Kong

(11) MAJOR FINANCIAL DATA AND INDICATORS

1. Accounting data prepared in accordance with the accounting principles generally accepted in the PRC ("PRC Accounting Standards")

Table 1:

Items	As at 30 June 2008 (RMB'000)	As at 31 December 2007 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets	41,788,672	31,040,609	34.63
Total equity attributable to shareholders of the Company	23,511,203	11,079,605	112.20
Net assets attributable to shareholders of the Company per share (RMB/ share)	13.31	7.07	88.26

Basic Corporate Information

Table 2:

Items	Six months ended 30 June 2008 (RMB'000)	Six months ended 30 June 2007 (RMB'000)	Increase/ (decrease) over the same period of the previous year (%)
Operating profit	1,415,743	1,233,853	14.74
Profit before taxation	1,556,270	1,403,240	10.91
Net profit attributable to shareholders of the Company	1,313,463	894,255	46.88
Net profit attributable to shareholders of the Company after extraordinary items	1,219,230	775,971	57.12
Basic earnings per share (RMB)	0.82	0.65	26.15
Net cash generated from operating activities	1,047,926	738,155	41.97
Net cash generated from operating activities per share (RMB/share)	0.59	0.54	9.26
Return on net assets attributable to shareholders of the Company (diluted)	5.59%	9.50%	Decrease by 3.91 percentage points

Note: The decrease in return on net assets attributable to shareholders of the Company (diluted) by 3.91 percentage points over the corresponding period of last year was due to the issue of 200,000,000 A Shares by the Company during the Reporting Period, resulting in a significant increase in equity of the shareholders.

Basic Corporate Information

Table 3:

Extraordinary items for the Reporting Period	Amount (RMB'000)
(1) Gain/(loss) on disposals of long term equity investment and fixed assets	(883)
(2) Government subsidy income	107,296
(3) Other extraordinary items	16,250
(4) Effect of extraordinary items on income tax	(28,045)
(5) Effect of extraordinary items on minority interests	(385)
Net extraordinary gain/(loss)	94,233

2. Financial summary prepared in accordance with international financial reporting standards ("IFRS")

Item	Six months ended 30 June 2008 (RMB'000)	Six months ended 30 June 2007 (RMB'000)	Increase/ (decrease) over the same period of the previous year (%)
Revenue	10,197,587	8,355,053	22.05
Net profit attributable to shareholders of the Company	1,304,440	895,329	45.69
Item	As at 30 June 2008 (RMB'000)	As at 31 December 2007 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets	41,730,059	30,921,284	34.96
Total liabilities	18,051,350	19,674,182	Decrease by 8.25 percentage points

Basic Corporate Information

3. Explanations for differences between consolidated financial statements prepared in accordance with PRC Accounting Standards and IFRS

	Net profit		Shareholders' equity	
	Six months ended 30 June 2008 (RMB'000)	Six months ended 30 June 2007 (RMB'000)	As at 30 June 2008 (RMB'000)	As at 31 December 2007 (RMB'000)
As reported in the statutory financial statements under PRC Accounting Standards	1,313,463	894,255	23,511,203	11,079,605
– Reversal of valuation surplus of land use rights upon transformation of the Group	1,919	1,919	(150,306)	(152,225)
– Deferral of income tax credit for domestic equipment under IFRS	(11,723)	(845)	(156,190)	(144,467)
– Subsidy income related to assets accounted for in capital reserve under PRC government requirements	781	–	(22,649)	–
As reported under IFRS	1,304,440	895,329	23,182,058	10,782,913

Changes in Share Capital and Shareholdings of Substantial Shareholders

(1) CHANGES IN THE TOTAL NUMBER OF SHARES AND THE STRUCTURE OF SHARE CAPITAL DURING THE REPORTING PERIOD

On 3 April 2008, the issue of 200,000,000 additional A Shares by the Company was approved by CSRC with the issuance of the “Approval of Issue of Additional Shares by Anhui Conch Cement Company Limited” (Zheng Jian Xu Ke [2008] No. 496). The Company issued 200,000,000 A Shares at a price of RMB57.38 per share on 16 May 2008, and the gross proceeds from this issue were RMB11,476,000,000. Zhongrui Yuehua Certified Public Accountants Co., Ltd issued a verification report (Zhongrui Yuehua Yan Zi [2008] No. 2117) in respect of the amount of proceeds received. Net proceeds from this issue, after deduction of issuing expenses, amounted to RMB11,282,057,207. On 22 May 2008, the registration of such 200,000,000 A Shares with CSDCCL Shanghai Branch was completed. The total number of shares of the Company increased from 1,566,434,193 shares to 1,766,434,193 shares. The Company completed the industrial and commercial registration for the above change in number of shares with The Administration for Industry and Commerce of Anhui Province on 26 June 2008. Changes in the total number of shares and the structure of share capital of the Company before and after the issue were as follows:

Class of shares	Number of shares before the issue (shares)	Number of shares issued (shares)	Number of shares after the issue (shares)
I. Total floating A Shares with trading restrictions	807,666,193	26,470,275	834,136,468
1. Floating shares with trading restrictions held by state-owned legal persons	519,667,147	—	519,667,147
2. Floating shares with trading restrictions held by other domestic legal persons	287,999,046	26,470,275	314,469,321
II. Total floating A Shares without trading restrictions	325,568,000	173,529,725	499,097,725
III. Floating H Shares	433,200,000	—	433,200,000
Total	1,566,434,193	200,000,000	1,766,434,193

Changes in Share Capital and Shareholdings of Substantial Shareholders

With the approval of SSE, the above 200,000,000 A Shares were listed on the SSE on 28 May 2008, of which 26,470,217 A Shares which were placed to group A institutional investors on an offline basis and 58 A Shares which were underwritten by the sponsor (principal underwriter) (note: 58 shares being the fragment after the rounding of offline subscription results fall to be taken up by the principal underwriter) were subject to a lock-up period from 28 May 2008 to 28 June 2008. The above 26,470,275 A Shares commenced trading on 30 June 2008 upon the expiry of the lock-up period (which was extended by two days as 28 June 2008 and 29 June 2008 were non-trading days of SSE). Changes in the total number of shares and the structure of share capital of the Company before and after the expiry of the lock-up period in respect of the above 26,470,275 A Shares were as follows:

Class of shares	Number of shares before the expiry of the lock-up period (shares)	Change (shares)	Number of shares after the expiry of the lock-up period (shares)
I. Total floating A Shares with trading restrictions	834,136,468	-26,470,275	807,666,193
1. Floating shares with trading restrictions held by state-owned legal persons	519,667,147	—	519,667,147
2. Floating shares with trading restrictions held by other domestic legal persons	314,469,321	-26,470,275	287,999,046
II. Total floating A Shares without trading restrictions	499,097,725	+26,470,275	525,568,000
III. Floating H Shares	433,200,000	—	433,200,000
Total	1,766,434,193	—	1,766,434,193

Changes in Share Capital and Shareholdings of Substantial Shareholders

(2) TOTAL NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS OF THE TOP 10 SHAREHOLDERS AND TOP 10 HOLDERS OF SHARES WITHOUT TRADING RESTRICTIONS AT THE END OF THE REPORTING PERIOD

As at 30 June 2008, the Company had a total of 18,341 shareholders, 49 of which were holders of H Shares.

Name of shareholders	Nature of shareholders	Number of shares held at the end of the Reporting Period (shares)	Percentage of shareholdings (%)	Class of shares	Trading restrictions
1. Conch Holdings	State-owned shareholder	519,667,147	29.42%	A Shares	Yes (Note: 1)
		110,290,113	6.24%	A Shares	No (Note: 1)
2. Conch Venture	Other	287,999,046	16.30%	A Shares	Yes (Note: 2)
3. HKSCC Nominees Limited	Foreign shareholder	432,662,997	24.49%	H Shares	No
4. International Capital Corporation—Citigroup—Nomura Securities Co., Ltd.	Other	19,561,423	1.11%	A Shares	No
5. UBS AG	Other	18,018,943	1.02%	A Shares	No
6. CITIC Securities — ICBC — Credit Suisse (Hong Kong) Limited	Other	13,260,195	0.75%	A Shares	No
7. Bank of Communications — Fuguo Tianyi Value Securities Investment Fund	Other	13,016,426	0.74%	A Shares	No
8. Gaohua — HSBC — Goldman, Sachs & Co.	Other	8,756,970	0.50%	A Shares	No
9. China Construction Bank Corporation — China International Fund Management Alpha Stock Fund	Other	8,321,236	0.47%	A Shares	No
10. China Construction Bank Corporation — Greatwall Brand Aborative-select Securities Investment Funds	Other	7,983,934	0.45%	A Shares	No
11. China Construction Bank Corporation — Yinhua Selected Core Value Equity Investment Fund	Other	7,878,498	0.45%	A Shares	No

Changes in Share Capital and Shareholdings of Substantial Shareholders

Notes:

- (1) Conch Holdings in aggregate held 629,957,260 A Shares of the Company, of which 62,784,000 A Shares commenced trading on 3 March 2008 during the Reporting Period; and, as at 30 June 2008, 519,667,147 A Shares of the Company held by Conch Holdings were subject to trading restrictions.
- (2) The 287,999,046 A Shares of the Company held by Conch Venture were subject to trading restrictions.
- (3) During the Reporting Period, the shares of the Company held by Conch Holdings and Conch Venture were not subject to pledge, moratorium or trust.
- (4) HKSCC Nominees Limited held 432,662,997 H Shares, representing 24.49% of the total share capital of the Company, and 99.88% of the issued H share capital of the Company, on behalf of its various clients.
- (5) So far as the Board is aware, save as Conch Venture and Conch Holdings, who are connected to each other and are parties acting in concert by virtue of Conch Venture's holding of 49% of the total issued shares in Conch Holdings and Conch Venture's and Conch Holdings' holding of 35.66% and 16.30% of the total issued shares in the Company respectively, the above-mentioned shareholders are not connected to each other nor are parties acting in concert.
- (6) As at 30 June 2008, the following persons (other than the Directors, supervisors and chief executive of the Company) held interests or short positions in the shares and underlying shares of the Company which were entered in the register required to be kept by the Company under section 336 of the Securities and Futures Ordinance ("SFO") (Cap 571 of the Laws of Hong Kong):

Name of shareholder	Number of ordinary shares held	Capacity	Percentage of shareholding of the relevant class of shares
Conch Holdings	629,957,260 A Shares (long position) (Note a)	Beneficial owner	47.25% (Note b)
Anhui Provincial Investment Group Limited ("Anhui Provincial Investment Group")	629,957,260 A Shares (long position) (Note a)	Interests of a controlled corporation	47.25% (Note b)
Conch Venture	917,956,306 A Shares (long position) (Note a)	Interests of a controlled corporation and beneficial owner	68.85% (Note b)
JPMorgan Chase & Co.	91,309,628 H Shares (long position) (Note d)	Beneficial owner/ investment manager/ custodian	21.08% (Note c)
JPMorgan Chase & Co.	1,755,200 H Shares (short position) (Note d)	Beneficial owner	0.41% (Note c)

Changes in Share Capital and Shareholdings of Substantial Shareholders

Name of shareholder	Number of ordinary shares held	Capacity	Percentage of shareholding of the relevant class of shares
Taiwan Cement Corporation	51,890,000 H Shares (long position) (Note e)	Interests of a controlled corporation	11.98% (Note c)
T. Rowe Price Associates, Inc. and its affiliates	34,880,000 H Shares (long position)	Investment manager	8.05% (Note c)
Halbis Capital Management (Hong Kong) Limited	30,782,000 H Shares (long position)	Investment manager	7.10% (Note c)

Notes:

- (a) These 629,957,260 A Shares were held in the name of Conch Holdings and in its capacity as the beneficial owner. The registered capital of Conch Holdings is RMB800 million, of which 51% of the equity interest is owned by Anhui Provincial Investment Group; and 49% of the equity interest is owned by Conch Venture. Pursuant to the SFO, both Anhui Provincial Investment Group and Conch Venture were deemed to own the entire interests in the shares of the Company held by Conch Holdings.

Among the 917,956,306 A Shares held by Conch Venture, 629,957,260 A Shares were held in the name of Conch Holdings and 287,999,046 A Shares were held by Conch Venture as beneficial owner.

- (b) The total number of domestic shares in issue was 1,333,234,193 shares, all of which were A Shares.
- (c) The total number of H Shares in issue was 433,200,000 shares.
- (d) According to the disclosure of interests form submitted by JPMorgan Chase & Co. on 28 May 2008, these shares were held through certain subsidiaries of JPMorgan Chase & Co.. The 91,309,628 H Shares were held as to 2,967,000 H Shares in the capacity of beneficial owner, 52,442,000 H Shares in the capacity of investment manager and 35,900,628 H Shares (securities in a lending pool) in the capacity of custodian corporation/ approved lending agent.
- (e) According to the disclosure of interests form submitted by Taiwan Cement Corporation on 16 May 2008, these shares were held through certain subsidiaries of Taiwan Cement Corporation.

Save for the aforesaid shareholders, as at 30 June 2008, the Company was not aware of any interests required to be recorded pursuant to section 336 of the SFO.

(3) PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

(1) APPOINTMENT OR TERMINATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

On 27 March 2008, the fourth meeting of the fourth session of the Board appointed Mr. Wu Bin as an assistant general manager of the Company.

On 27 March 2008, with the approval of the third meeting of the fourth session of the supervisory committee, Mr. Ding Junting resigned from the position of staff representative supervisor, and Mr. Guan Dali was elected as the staff representative supervisor, with a term of office starting from 28 March 2008 and ending upon the conclusion of the fourth session of the supervisory committee. Subsequently, Mr. Guan Dali resigned from the position of the staff representative supervisor on 17 April 2008 on the grounds that he was unable to perform the duties of a staff representative supervisor due to changes in his job roles. Mr. Ding Feng was elected as the staff representative supervisor, with a term of office starting from 18 April 2008 and ending upon the conclusion of the fourth session of the supervisory committee.

(2) INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

For the six months ended 30 June 2008, none of the Directors, chief executive and supervisors of the Company nor any of their respective associates held any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (as defined in the SFO), nor had they been granted or exercised any interest or rights to subscribe for shares, underlying shares or debentures of the Company or its associated corporations, which were recorded in the register required to be kept and maintained in accordance with section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”).

During the Reporting Period, none of the Directors and supervisors had material interest in any contract entered into by the Company or its subsidiaries.

(3) CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2008, the Board was not aware of any information which would indicate that the Company did not comply with the code provisions (the “Code Provisions”) of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules of the Stock Exchange.

(4) MODEL CODE

The Company has adopted a set of code of conduct on terms no less exacting than the required standard of dealing prescribed in the Model Code as set out in Appendix 10 to the Listing Rules of the Stock Exchange regarding securities transactions by Directors. Having made specific enquiry by the Company, all Directors confirmed that they had complied with the required standards regarding securities transactions by the Directors as set out in the Model Code during the Reporting Period.

(5) EMPLOYEES AND REMUNERATION

As at 30 June 2008, the Group had a total of 22,395 employees with an aggregate remuneration of RMB327 million, being the aggregate amount of wages of the employees for the Reporting Period.

BUSINESS ENVIRONMENT

For the six months ended 30 June 2008, China's gross domestic product (GDP) grew approximately 10.4% over the corresponding period last year. The growth rate was 1.8 percentage points lower than that of the first half last year. Fixed-assets investment in the period under review increased by 26.3% over the corresponding period last year, representing a growth rate of 0.4 percentage points higher than the level for the corresponding period last year. The national economy of China continued to develop in the direction anticipated under the government's macroeconomic control measures, growing at a steady and relatively fast pace in general. (Source: *National Bureau of Statistics of China*)

Cement production and sales volumes continued to increase during the first six months as the growth in fixed-assets investments remained the main driver of growth in cement consumption. There was steady progress in the elimination of outdated cement plants as facilities with an aggregate production capacity of approximately 20 million tonnes were closed down during the period, lending to more balanced demand and supply situation in the market. Profitability was on the rise for the cement industry in general as sales revenue improved steadily in tandem with a cost-driven recovery in product prices following a substantial increase in production costs driven by rising prices in coal, electricity, fuel and transportation. (Source: *Digital Cement*)

ANALYSIS OF OPERATION

Operations

Following a business philosophy that emphasized sustainable, steady and healthy growth as well as maximisation of overall economic benefits, the Group achieved good progress for its projects in construction and maintained smooth and coordinated operations in production, sales and transportation during the six months ended 30 June 2008. We sustained steady and continuous growth in production and sales volumes, income from principal operations and net profit as the adverse impact of natural disasters such as low-temperature snowstorms, rainstorms, freezing weather and floods which affected the production and sales volume of the Company as well as increased production costs in tandem with rising prices in coal, electricity, fuel and transportation was effectively mitigated through the implementation of technology upgrade projects and management measures for energy conservation and the reduction of discharge and emission.

Management Discussion and Analysis

During the Reporting Period, the Group's income from principal operations under PRC Accounting Standards amounted to RMB10.062 billion, an increase of 22.35% over the corresponding period of last year; net profit attributable to equity shareholders of the Company amounted to RMB1.313 billion, an increase of 46.88% over the corresponding period of last year. Earnings per share was RMB0.82. Revenue under IFRS amounted to RMB10.198 billion, an increase of 22.05% over the corresponding period of last year; net profit attributable to equity shareholders of the Company amounted to RMB1.304 billion, an increase of 45.69% over the corresponding period of last year. Earnings per share was RMB0.82.

Sales

During the Reporting Period, the Group achieved net sales volume of 45.1 million tonnes of cement and clinker, representing an increase of 12.89% over the corresponding period of last year.

Regions	Sales amount by regions					
	Six months ended 30 June 2008		Six months ended 30 June 2007		Increase/ (decrease) of percentage in sales	Increase/ (decrease) in percentage points
	Sales (RMB'000)	Percentage (%)	Sales (RMB'000)	Percentage (%)	(%)	
East China ^{Note 1}	4,479,224	44.52	3,316,257	40.32	35.07	4.2
Central China ^{Note 2}	2,299,277	22.85	1,895,563	23.05	21.03	(0.2)
South China ^{Note 3}	1,979,922	19.68	1,387,784	16.88	42.67	2.8
Export	1,303,444	12.95	1,624,263	19.75	(19.75)	(6.8)
Total	10,061,867	100.00	8,223,867	100.00	22.35	—

Notes:

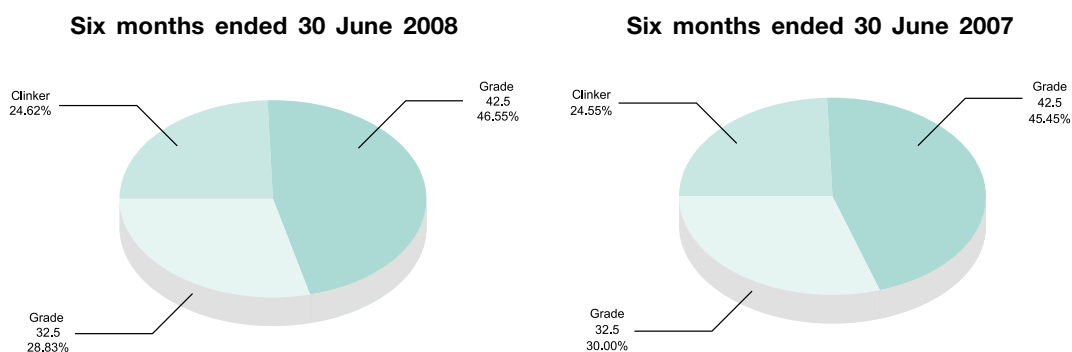
1. East China includes Jiangsu, Zhejiang, Fujian and Shanghai;
2. Central China includes Anhui, Jiangxi and Hunan;
3. South China includes Guangdong and Guangxi.

Management Discussion and Analysis

Increase in sales volume and rise in consolidated selling prices combined to contribute to the growth in the Group's sales revenue in East China, Central China and South China in varying degrees during the Reporting Period. The Group maintained its export of 6.60 million tonnes of cement and clinker during the Reporting Period as it overcame the impact of numerous adverse factors by pursuing pro-active international marketing efforts, providing significant effects on the stabilisation of domestic market prices.

Sales of commodity clinker, Grade 32.5 cement and Grade 42.5 cement as percentages of total revenue during the Reporting Period remained constant from the corresponding period last year.

PERCENTAGE OF SALES BY PRODUCTS



PROFIT ANALYSIS

Key profit and loss items prepared under PRC Accounting Standards

Items	Amount		Period-on-period change (%)
	Six months ended 30 June 2008 (RMB'000)	Six months ended 30 June 2007 (RMB'000)	
Income from principal operations	10,061,867	8,223,867	22.35
Profit from operations	1,415,743	1,233,853	14.74
Total profit	1,556,270	1,403,240	10.91
Net profit attributable equity shareholders of the Company	1,313,463	894,255	46.88
Net cashflow generated from operating activities	1,047,926	738,155	41.97

During the Reporting Period, the Group's profit from operations, total profit and net profit attributable to equity shareholders of the Company amounted to RMB1,415,743,000, RMB1,556,270,000 and RMB1,313,463,000, respectively, representing period-on-period growth of 14.74%; 10.91% and 46.88%, respectively. The increase in profit was mainly attributable to the increase in sales volume and consolidated selling prices.

During the Reporting Period, the average consolidated cost of the Group was driven up by the significant rise in energy prices for raw coal, electricity and diesel, with energy expenses accounting for 68.61% of total cost, which was 6.31 percentage points higher compared to the corresponding period last year. In order to effectively curb the pressure of rising energy prices, the Group expedited the construction of residual heat power generation units while reinforcing efforts in technology upgrade projects and management measures in energy conservation and the reduction of discharge and emission. As at the end of the Reporting Period, 17 sets of residual heat power generation units of the Group were in operation which contributed to cost savings of approximately RMB353 million for the Reporting Period.

Management Discussion and Analysis

Gross profit by products for the six months ended 30 June 2008 and period-on-period comparison

Products	Income from principal operations (RMB'000)	Cost of principal operations (RMB'000)	Gross margin during the Reporting Period (%)	Gross margin for the corresponding period of last year (%)	Change in gross margin over the corresponding period of last year (percentage points)
Grade 42.5 cement	4,703,603	3,429,627	27.09	27.32	(0.23)
Grade 32.5 cement	2,887,001	1,874,931	35.06	33.15	1.91
Clinker	2,471,263	1,906,783	22.84	29.26	(6.42)
Total	10,061,867	7,211,341	28.33	29.55	(1.22)

During the Reporting Period, the consolidated gross margin of the Group recorded a period-on-period decrease of 1.22 percentage point, attributable to the increase in production cost.

Change in key expense items prepared under PRC Accounting Standards

Expenses for the period	Amount for the Reporting Period (RMB'000)	Amount for corresponding period of last year (RMB'000)	Percentage to income from principal operations for the Reporting Period (%)	Percentage to income from principal operations for the corresponding period of last year (%)	Change in percentage to income from principal operations
					(%)
Selling expenses	633,919	579,422	6.30	7.05	(0.75)
Administrative expenses	344,218	277,026	3.42	3.37	0.05
Net finance expenses	432,065	301,076	4.29	3.66	0.63
Total	1,410,202	1,157,524	14.01	14.08	(0.07)

During the Reporting Period, the three items of expenses of the Group, namely selling expenses, administrative expenses and finance expenses, decreased slightly over the corresponding period of last year as a percentage of income from principal operations due to effective cost control efforts. The increase in finance expenses was mainly caused by increase in loan and higher benchmark lending rates. For the second half of the year, the Group will seek to further reduce finance expenses by making early loan repayments and optimising its loan structure.

Financial Position

Assets and Liabilities Structure

As at 30 June 2008, the Group's total assets, total liabilities and net assets, prepared in accordance with PRC Accounting Standards, amounted to RMB41.789 billion, RMB17.777 billion and RMB24.012 billion respectively.

The Group's gearing ratio under PRC Accounting Standards dropped 20.26 percentage points to 42.54% as compared to the end of last year. Net debt ratio under IFRS dropped 0.94 percentage points to 0.25 as compared to the end of last year, which was mainly due to the partial repayment of bank loans from the issue proceeds of new A Shares by the Company during the Reporting Period with a view to further optimization of its financial structure.

Change in balance sheet items prepared in accordance with PRC Accounting Standards

Items	As at 30 June 2008 (RMB'000)	As at 31 December 2007 (RMB'000)	Increase/ (decrease) (%) over the beginning of the year
Fixed assets	20,262,049	18,860,176	7.43
Current and other assets	21,526,623	12,180,433	76.73
Total assets	41,788,672	31,040,609	34.63
Current liabilities	9,942,045	9,600,434	3.56
Non-current liabilities	7,834,467	9,892,411	(20.80)
Minority interests	500,957	468,159	7.01
Equity interest attributable to the shareholders of the Company	23,511,203	11,079,605	112.20
Total liabilities and equity	41,788,672	31,040,609	34.63

Liquidity and source of funds

As at 30 June 2008, the Group's total current assets and total current liabilities, prepared in accordance with PRC Accounting Standards, were RMB15.591 billion and RMB9.942 billion respectively. The current ratio was 1.57:1.

Management Discussion and Analysis

As at 30 June 2008, the Group's total current assets and total current liabilities, prepared in accordance with IFRS, were RMB16.158 billion and RMB10.034 billion respectively.

Maturity analysis of bank loans and other borrowings of the Group as at 30 June 2008 was as follows:

	As at 30 June 2008 (RMB'000)	As at 31 December 2007 (RMB'000)
Due within 1 year	5,973,744	4,937,633
Due after 1 year but within 2 years	3,193,800	4,265,300
Due after 2 years but within 5 years	3,638,000	4,324,000
Due after 5 years	940,455	1,232,727
Total	13,745,999	14,759,660

As at 30 June 2008, the Group's loans due within 1 year included discounted outstanding bank acceptance bills of RMB559 million and commercial acceptance bills of RMB450 million.

Comparison of net cash flow prepared in accordance with PRC Accounting Standards

	Six months ended 30 June 2008 (RMB'000)	Six months ended 30 June 2007 (RMB'000)
Net cashflows generated from operating activities	1,047,926	738,155
Net cashflows generated from investing activities	(4,520,405)	(2,544,520)
Net cashflows generated from financing activities	9,786,895	1,306,897
Net increase in cash and cash equivalents	6,314,415	(499,468)
Balance of cash and cash equivalents at the beginning of the year	1,411,707	1,331,084
Balance of cash and cash equivalents at the end of the period	7,726,122	831,616

Capital expenditure

During the Reporting Period, the Group's cash outflow for investing activities and capital expenditure amounted to approximately RMB4.5 billion in aggregate, of which approximately RMB2.6 billion was mainly used for the investments in the construction of cement, clinker production lines and residual heat power generation projects. With a view to enhance efficiency of utilization of funds, an aggregate amount of RMB1.5 billion was committed to trustee investment arrangement with the approval of the Board. Such trustee investment was fully redeemed upon maturity on 14 July 2008 and 13 August 2008 respectively, with a gain of RMB8.325 million.

As at 30 June 2008, the Group's investment in associates amounted to RMB160 million.

As at 30 June 2008, capital commitments in respect of the purchase of machinery and equipment for production purpose that had been committed but not provided for in the financial statements were as follows:

	As at 30 June 2008 (RMB'000)	As at 31 December 2007 (RMB'000)
Authorised and contracted for	2,060,575	2,877,795
Authorised but not contracted for	5,613,756	6,148,976
Total	7,674,331	9,026,771

INVESTMENT IN PROJECTS

1. Investment projects during the Reporting Period using issue proceeds

During the Reporting Period, the Company issued 200,000,000 A Shares by way of public offer with gross proceeds of RMB11.476 billion. Net proceeds was RMB11,282,057,207 after deduction of expenses in relation to such issue.

Management Discussion and Analysis

During the Reporting Period, there was no change in the Company's use of proceeds in the investment projects. The progress of investment projects using issue proceeds was in line with planned schedules, and revenue from commissioned projects was in line with earnings projections. The status of projects funded by proceeds of issue of A Shares during the Reporting Period is presented as follows (Note):

Item	Project name	Progress	Capital injected during the Reporting Period (RMB'000)
I.	Investments in structural adjustments and new production capacities		
1	Technology upgrade project for two 4,500 tonnes/d cement and clinker production lines of Digang Conch	In operation	254,488
2	Project of four 4,500 tonnes/d clinker production lines of Chizhou Conch	Partly in operation	175,771
3	Project of two 4,500 tonnes/d cement and clinker production lines of Yiyang Conch	Partly in operation	298,472
4	Project of construction of a 5,000 tonnes/d new dry-process cement production line of Shimen Conch	Under construction	221,953
5	Technology upgrade project for a 4,500 tonnes/d clinker and cement production line (Phase II) of Shuangfeng Conch	Under construction	91,286
6	Technology upgrade project for a 4,000 tonnes/d dry-process cement and clinker production line of Hunan Conch	Under construction	93,856
7	Technology upgrade project for the second 4,500 tonnes/d new dry-process cement and clinker production line of Fusui Xinning Conch	In operation	75,597

Management Discussion and Analysis

Item	Project name	Progress	Capital injected during the Reporting Period (RMB'000)
8	Technology upgrade project for a 4,000 tonnes of clinker/d new dry-process cement production line of Xing'an Conch	Under construction	90,414
9	Technology upgrade project for a 4,000 tonnes of clinker/d new dry-process cement production line of Beiliu Conch	In operation	12,902
10	Technology upgrade project for a 4,500 tonnes/d cement and clinker production line (Phase II) of Beiliu Conch	Under construction	624
II. Investment in recycling and residual heat power generation			
11	Two 18MW residual heat power generation units of Wuhu Conch	In operation	55,051
12	Two 18MW residual heat power generation units of Xuancheng Conch	In operation	34,527
13	Two 18MW residual heat power generation units of Chizhou Conch	In operation	48,584
14	A 18MW residual heat power generation unit of Digang Conch	In operation	46,069
15	A 18MW residual heat power generation unit of Zongyang Conch	Under construction	324
16	A 12MW residual heat power generation unit of Baimashan Cement Plant	In operation	13,090
17	A 18MW residual heat power generation unit of Huaining Conch	In operation	2,676

Management Discussion and Analysis

Item	Project name	Progress	Capital injected during the Reporting Period (RMB'000)
18	16.3MW and 30.5MW residual heat power generation units of Tongling Conch	In operation	5,472
19	11.6MW and 17MW residual heat power generation units of Chizhou Conch	In operation	9,955
20	15MW and 18.5MW residual heat power generation units of Zongyang Conch	In operation	12,035
21	Technology upgrade project of the 18MW pure low-temperature residual heat power generation unit of Beiliu Conch	Under construction	36,153
22	Technology upgrade project of the 18MW pure low-temperature residual heat power generation unit of Fusui Xinning Conch	Under construction	45,452
23	Technology upgrade project of the 18MW pure low-temperature residual heat power generation unit of Xing'an Conch	Under construction	43,643
24	Two 18MW residual heat power generation units of Prosperity Conch	In operation	73,451
25	18MW pure low-temperature residual heat power generation unit of Shimen Conch	Under construction	19,800
26	18MW residual heat power generation unit of Shuangfeng Conch	Under construction	34,036

Management Discussion and Analysis

Item	Project name	Progress	Capital injected during the Reporting Period (RMB'000)
27	9.1 MW residual heat power generation unit of Hunan Conch	Under construction	24,260
28	24 MW residual heat power generation unit of Zhongguo Plant	Under construction	46,733
III. Other projects			
29	Cement equipment and spare parts processing centre of Conch M&E	In operation	13,834
30	New dry-process method for urban waste treatment project of Tongling Conch	Under preparation	—
31	Frequency conversion and energy conservation technology upgrade project of Conch	In operation	2,789
32	Optimisation of financial structure and repayment of bank loans	—	1,808,000
Total			3,691,297

Notes: As at 30 June 2008, the Company had utilised funds from issue proceeds in the sum of RMB6,755,950,000, including funds invested in projects designated for the use of issue proceeds during the Reporting Period in the sum of RMB3,691,297,000 and funds applied to replace the funds in the amount of RMB3,064,653,000 obtained by the Company that had been invested in these projects prior to 2008 upon receipt of the issue proceeds.

Management Discussion and Analysis

2. Major projects during the Reporting Period using funds other than issue proceeds

No.	Project name	Progress	Amount invested during Reporting Period (RMB'000)
1	4,500 tonnes/d clinker production line of Pingliang Conch	Under construction	17,096
2	Phase IV of two 5,000 tonnes/d clinker production lines of Zongyang Conch	Under construction	21,363
3	2,500 tonnes/d clinker production line and 9KW residual heat power generation unit of Fenyi Conch	Under construction	135,445
4	9KW residual heat power generation unit of Xingye Kuiyang Conch	Under construction	36,600
5	3.2 million tonnes cement mill project of Tongling Conch	In operation	107,980
Total			318,484

3. Investment in project companies during the Reporting Period

Project companies established by the Company during the Reporting Period were as follows:

No.	Company name	Place of registration	Registered Capital (RMB)	Percentage of shareholding by the Company
1	Huaian Chuzhou Conch Cement Co., Ltd	Huaian City of Jiangsu Province	80,000,000	100%
2	Pingliang Conch Cement Co., Ltd.	Pingliang City of Gansu Province	150,000,000	100%
3	Ningde Conch Cement Co., Ltd.	Ningde City of Fujian Province	150,000,000	100%
4	Jiangxi Ganjiang Conch Cement Co., Ltd.	Ganjiang City of Jiangxi Province	80,000,000	100%
5	Foshan Conch Cement Co., Ltd.	Foshan City of Guangdong Province	100,000,000	100%
6	Liuan Conch Cement Co., Ltd.	Liuan City of Anhui Province	80,000,000	100%
7	Dazhou Conch Cement Co., Ltd.	Dazhou City of Sichuan Province	180,000,000	100%

PROSPECTS FOR THE SECOND HALF OF 2008

For the second half of 2008, it is expected that China will sustain faster yet stable macro-economic growth and a high growth rate for fixed assets investment. The PRC government would implement further measures in pursuit of a prudent fiscal policy and a tightened monetary policy, in a bid to prevent rapid economic development from turning into over-growth by enhancing the synergistic effects among its fiscal and monetary policies, industrial policy, land policy and social policy.

Cement prices are expected to be stable with upside opportunities in the second half of the year 2008 as they continue to be driven by cost and demand. The surge in prices of production materials such as coal, electricity and fuel will result in higher production costs for cement producers, and there remains an obvious trend of rising prices driven by costs. On the other hand, there will be effective support for increase in cement prices with additional demand for the whole year estimated to increase by over 10%, as the construction of infrastructure, towns and new villages continue to gain pace to sustain rapid growth in fixed assets investment. Meanwhile, with the implementation of new cement standards in June 2008, moves to eliminate outdated cement plants will be accelerated in the remaining six months. It is expected that facilities with an aggregate production capacity of 70 million to 80 million tonnes will be closed down for the whole year. Market demand and supply for cement will remain properly maintained. *(Source: Digital Cement)*

Looking to the second half of the year, effective control of the Company's production costs will assure us of delivering sound results for the year. For this purpose, the Group intends to advocate energy conservation, seek early completion of technology projects on energy conservation and implement all processes for better control of coal procurement costs. Concurrently, the Group will gear up regional management to assure continued expansion of its regional market shares while tighten control over the regional markets to improve consolidated selling prices for stable growth in profitability.

During the second half of the year, the Group will expedite the construction of its projects in East China, Central China, South China and West China and will also make focused efforts to develop the West China sales market. We will actively involve in post-earthquake rebuilding in affected areas in fulfilment of our social responsibilities, seeking to establish ourselves as a harmonious enterprise that pursues corporate, social and environmental harmony.

(1) CORPORATE GOVERNANCE

Since the listing of the Company on the Stock Exchange and the SSE in 1997 and 2002 respectively, the Company has been continuously improving its corporate governance structure and regulating the operation of the Company in accordance with the requirements of relevant domestic and overseas listing rules and regulations. The general meeting, the Board and supervisory committee discharge their respective duties and are independent with each other, efficient and transparent in decision-making providing mutual support, supervision and checks to each other. The Board of the Company has established two specialised committees, the Audit Committee and the Remuneration and Nomination Committee, comprising the independent non-executive Directors, to positively enhance the efficiency of the Board in decision-making and promote the efficient operation of our corporate governance, thereby improving the quality of the Company's operations.

Corporate governance is an on-going process of improvement and enhancement. In 2008, the Company continued to enhance its internal control system, improve its accountability system and regulate connected transactions and maintained its independence as a listed company by establishing an effective long-term system to prevent capital misappropriation by substantial shareholders and protect interests of the Company in accordance with the intent of the Announcement [2008] No. 27 issued by the CSRC, *Notice on Advancing the Special Activity of Corporate Governance*. In addition, such system further strengthened the management of company information disclosure by ensuring that the disclosed information is true, accurate, complete, timely and fair, while the system of inspection, collection, maintaining confidentiality and disclosure of sensitive information has been improved to eliminate insider dealing and share price manipulation for effective protection of interest of retail investors.

(2) ISSUE OF NEW SHARES

For details of the issue of new shares by the Company during the Reporting Period, please refer to the section headed "II. Changes in Share Capital and Shareholdings of Substantial Shareholders" of this report.

(3) IMPLEMENTATION OF THE PROFIT DISTRIBUTION PROPOSAL

On 2 June 2008, the Company passed the resolution of not distributing the Company's profit for the year 2007 at the annual general meeting for year 2007. No profit distribution proposal was implemented by the Company and no surplus reserve was transferred to share capital during the first half of 2008.

Significant Events

(4) MATERIAL LITIGATION AND ARBITRATION

For the six months ended 30 June 2008, the Group was not involved in any litigation or arbitration, which might have a significant impact on the Group's business operation, nor were any of the Directors, supervisors or senior management of the Company involved in any material litigation.

(5) MATERIAL ACQUISITION OF ASSETS

There was no material acquisition of assets during the Reporting Period.

(6) CONNECTED TRANSACTIONS

On 23 September 1997, the Company and its holding company, Conch Holdings entered into a trademark licensing agreement (the "Trademark Licensing Agreement"), pursuant to which the Company may use the trademarks (including "海螺" and "Conch") on permitted products in permitted regions during the period as set out in the terms of the Trademark Licensing Agreement. The term of the Trademark Licensing Agreement shall be identical to the validity period of the authorised trademarks, and should the validity period of the authorised trademarks be extended, the term of the Trademark Licensing Agreement in respect of the trademarks shall be extended automatically. Pursuant to the Trademark Licensing Agreement, the Company is required to pay RMB1,513,000 per annum to the holding company for the use of the trademarks.

According to the Trademark Licensing Agreement, the Company shall pay an amount of RMB756,500 to Conch Holdings during the Reporting Period, and such obligation has not been satisfied during the Reporting Period.

(7) MATERIAL CONTRACTS

1. The Company was not involved in any material custody, underwriting or leasing of assets of other companies, nor were any other companies involved in any custody, underwriting or leasing of assets of the Company during the Reporting Period or during the previous periods but subsisting in the Reporting Period.

2. Guarantees

During the Reporting Period, the external guarantees provided by the Company were related to its own loans and loans of its subsidiaries, and all the guarantees have been approved either by the Board or general meetings.

During the Reporting Period, the guarantees provided by the Company for its subsidiaries amounted to RMB150,000,000, all being guarantees for collateral liabilities; as at 30 June 2008, the balance of guarantees provided by the Company for its subsidiaries amounted to RMB1,120,000,000, representing 4.62% of the net assets of the Company.

During the Reporting Period, the Company had not provided any guarantee for its controlling shareholder, beneficial controlling shareholders, other related parties and any other entities who were not legal persons or individuals. The aggregate amount of guarantees provided by the Company did not exceed 50% of the net assets stated in the latest audited balance sheet of the Company; as at 30 June 2008, the balance of the guarantees provided by the Company to the subsidiaries with a gearing ratio of over 70% amounted to RMB280,000,000.

As at 30 June 2008, Ningguo Cement Plant of Anhui Conch Cement Company Limited and Baimashan Cement Plant, branches of the Company, pledged their assets with a book value of RMB820 million to International Finance Corporation as the security for a long-term loan in the sum of RMB650 million.

3. Trustee Investment Arrangement

On 13 June 2008, the following resolution was passed by the Board of the Company unanimously through tele-communication: that for the purpose of enhancing effective use of operating fund of the Company, a total amount of RMB1.5 billion (representing 12.99% of the audited consolidated net assets of the Company for the year ended 31 December 2007 prepared under the PRC Accounting Standards) of the Company's working capital be committed to trustee investment for the purchase of a financial product from Hui Shang Bank, Jiu Yue RMB Growth Investment Bill (徽商銀行九越理財票據贏人民幣理財產品) (Class A and Class B).

The Company fully redeemed the above trustee investment of RMB1.5 billion upon their maturities on 14 July 2008 and 13 August 2008 respectively with a gain of RMB8.325 million.

For details of the above trustee investment, please refer to the announcements of the Company dated 13 June 2008, 15 July 2008 and 14 August 2008 posted on the HKExnews website of the Stock Exchange and the announcements of the Company dated 16 June 2008, 16 July 2008 and 15 August 2008 posted on the website of SSE and published in Shanghai Securities Journal.

Significant Events

4. Investments in Other A Shares Listed Companies

No.	Stock Code	Stock Name	Number	Initial	Face value	Face value	Accounting
			of shares held as at the end of the Reporting Period (shares)		Amount of Investment (RMB'000)	as at the end of the Reporting Period (RMB'000)	
1	600318	巢東股份 (Chaodong Share)	39,385,700	98,020	142,844	326,901	Available for sale financial asset
2	000401	冀東水泥 (Jidong Cement)	35,972,011	441,725	447,852	—	Available for sale financial asset
3	600802	福建水泥 (Fujian Cement)	863,900	4,459	4,432	—	Available for sale financial asset
4	000789	江西水泥 (Jiangxi Cement)	1,135,000	7,064	7,321	—	Available for sale financial asset
5	000885	同力水泥 (Tongli Cement)	999,769	8,320	8,288	—	Available for sale financial asset

5. Commitments

On 21 August 2006, the Company and Conch Venture, being a shareholder with over 5% of the shareholding of the Company, entered the Assets Purchase Agreement, pursuant to which A shares were issued to Conch Venture by the Company as the consideration for the acquisition of 49% of the equity interests in Digang Conch, 49% of the equity interests in Zongyang Conch, 49% of the equity interests in Chizhou Conch and 31.86% of the equity interests in Tongling Conch, being four subsidiaries of the Company in which the Company has controlling interest (collectively, the “Four Companies”).

Conch Venture has undertaken that if the average aggregate audited net profit attributable to the equity interests of the Four Companies acquired by Conch for the three years ended 31 December 2006, 2007 and 2008 prepared in accordance with the PRC Accounting Standards is less than RMB319.198 million, Conch Venture agreed that Conch may repurchase a certain amount of shares in Conch at a consideration of RMB1.00. The undertaking remained outstanding as such repurchase is pending on the publication of the 2008 audited net profit of the Four Companies.

(8) USE OF CAPITAL OF THE COMPANY BY CONTROLLING SHAREHOLDER AND ITS SUBSIDIARIES

During the Reporting Period, none of the controlling shareholder or its subsidiaries used any of the capital of the Company.

(9) AUDIT COMMITTEE

The Audit Committee was established by the Company. The terms of reference adopted by the Audit Committee complied with the requirements of the Code Provisions. The Audit Committee is responsible for the review and supervision of financial reporting procedures and the internal control system of the Group as well as the provision of advice and recommendations to the Board of the Company. The Audit Committee has reviewed the interim report of 2008.

(10) SUBSEQUENT EVENTS

Connected Transactions

On 3 July 2008, as approved by the Board of the Company, the Company entered into the following connected transactions with Anhui Conch Kawasaki Engineering Company Limited (“Conch Kawasaki Engineering”), Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. (“Conch Kawasaki Energy Conservation”), Yingde Longshan Cement Co., Ltd. (“Longshan Company”), Anhui Conch Building Materials Design Centre (“Conch Design”) and Conch Profiles respectively:

(1) Residual Heat Electricity Generation Projects

On 3 July 2008, the Company and Conch Kawasaki Engineering entered into the Kawasaki RHEG Supply Contract, pursuant to which Conch Kawasaki Engineering was engaged by the Company to design the residual electricity generation projects and to supply and install the whole set of equipment in relation to such projects for some of its subsidiaries. The total contract price was RMB235.75 million. The contract price was agreed between the parties which was determined in accordance with the costs of the projects (to be determined mainly by the scale of the projects and the required level of technology), with reference to the prevailing market prices of such services and the price charged by Conch Kawasaki Engineering to other customers, but shall not be higher than that offered by Conch Kawasaki Engineering to independent customers.

Significant Events

(2) *Purchase of Milling Equipment*

On 3 July 2008, the Company and Conch Kawasaki Energy Conservation entered into the Milling Equipment Supply Contract, pursuant to which the Company agreed to purchase 16 sets of CK-450 milling equipment from Conch Kawasaki Energy Conservation. The total contract price was RMB448 million. The contract price was agreed between the parties which was determined in accordance with the costs of the equipment, with reference to the prevailing market prices of such equipment and the price charged by Conch Kawasaki Energy Conservation to other customers, but shall not be higher than that offered by Conch Kawasaki Energy Conservation to independent customers.

(3) *Procurement of clinker, spare parts and production ancillary materials*

On 3 July 2008, Jiangmen Conch Cement Co., Ltd. ("Jiangmen Conch"), a wholly-owned subsidiary of the Company, and Longshan Company entered into the Clinker Procurement Agreement in relation to the procurement of clinker by Jiangmen Conch from Longshan Company. On the same date, Prosperity Conch, a 75%-owned subsidiary of the Company, and Longshan Company entered into the Longshan Procurement Agreement in relation to the mutual procurement of spare parts and production ancillary materials between Prosperity Conch and Longshan Company. The term of each of the Clinker Procurement Agreement and Longshan Procurement Agreement commenced on 1 January 2008 and shall end on 31 December 2010. It is estimated that the aggregate amount of the annual caps for the above transactions among Jiangmen Conch, Prosperity Conch and Longshan Company for each of the three years ending 31 December 2008, 2009 and 2010 will not exceed RMB123.4 million, RMB120 million and RMB121.5 million respectively.

The purchase price of clinker was determined according to market price and after negotiation between the Group and Longshan Company which shall not be higher than that offered to other independent customers by Longshan Company. Jiangmen Conch will mainly consider the cost of clinker, product quality, market demand and the price of similar products offered by other third parties within the same area in determining whether clinker would be procured from Longshan Company or other independent suppliers.

The selling price of spare parts and production ancillary materials offered by Prosperity Conch and Longshan Company respectively is the price they procured from their respective suppliers.

During the Reporting Period, the purchase amount of clinker by Jiangmen Conch from Longshan Company was RMB10,000,005, the purchase amount of spare parts and production ancillary materials by Prosperity Conch from Longshan Company was RMB2,671,794 and that by Longshan Company from Prosperity Conch was RMB2,338,525.

(4) *Design of Cement Clinker Projects*

On 3 July 2008, the Company and Conch Design entered into the Composite Project Design Contract, pursuant to which Conch Design agreed to provide services including design and technical modification of clinker production lines and grinding mill systems for certain subsidiaries of the Company. The contract price was RMB40.450 million. The design fee was determined by the parties after arm's-length negotiation with reference to the Scale Charge for Project Design promulgated by the National Development and Reform Commission and Ministry of Construction in 2002 and the project scale, investment amount, scope of design, standard of technology and the prevailing market prices.

(5) *Construction Projects*

On 3 July 2008, Anhui Wuhu Conch Construction and Installation Co., Ltd. ("Conch Construction"), a subsidiary of the Company, and Conch Profiles entered into the Profiles Moulding Construction Contract for Section A of the moulding plant of Conch Profiles, pursuant to which Conch Construction agreed to provide services to Conch Profiles including land construction of Section A of the moulding plant of Conch Profiles (exclusive of the steel structure and surface system of the main building), decoration project, interior illumination project, drainage project and main floor planning of land construction project. The total contract price was RMB21.8 million, subject to adjustment in accordance with the actual services price of the projects. The contract price was determined by open tender.

Significant Events

For details of the above connected transactions, please refer to the announcement of the Company dated 3 July 2008 posted on the HKExnews website of the Stock Exchange and the announcement of the Company dated 4 July 2008 posted on the website of SSE and Shanghai Securities Journal.

(11) INDEX OF OTHER INFORMATION

Other material information of the Company during the Reporting Period was published in the following sources:

No.	Events	Date of Publication	Sources	Page No.
1	Announcement on Estimated Improvement in 2007 Results	2008.1.21	Shanghai Securities Journal	A48
2	Announcement on Suspension of Trading In Relation to the Review of the Company's A Share Issue by the Public Offering Review Committee	2008.1.30	Shanghai Securities Journal	D22
3	Announcement on Conditional Approval of the Company's A Share Issue	2008.1.31	Shanghai Securities Journal	D15
4	Announcement on Listing of Floating Shares with Trading Restrictions	2008.2.26	Shanghai Securities Journal	D10
5	Summary of 2007 Annual Report	2008.3.28	Shanghai Securities Journal	D70
6	Announcement on Resolution of the Board	2008.3.28	Shanghai Securities Journal	D70
7	Announcement on Resolution of the supervisory committee	2008.3.28	Shanghai Securities Journal	D70
8	Announcement on Approval of the Company's A Share Issue by CSRC	2008.4.9	Shanghai Securities Journal	D42

Significant Events

No.	Events	Date of Publication	Sources	Page No.
9	Notice of 2007 Annual General Meeting	2008.4.16	Shanghai Securities Journal	D5
10	Announcement on Change of Staff Representative Supervisor	2008.4.21	Shanghai Securities Journal	A45
11	2008 First Quarterly Report	2008.4.22	Shanghai Securities Journal	D118
12	Announcement on Resolution of the Board	2008.5.14	Shanghai Securities Journal	D31
13	Announcement on A Share Issue Inside the Network	2008.5.14	Shanghai Securities Journal	D6
			Securities Times	A10
			China Securities Journal	A17
14	Announcement on A Share Issue Outside the Network	2008.5.14	Shanghai Securities Journal	D6
			Securities Times	A10
			China Securities Journal	A18
15	Announcement on Roadshow of A Share Issue Inside the Network	2008.5.14	Shanghai Securities Journal	D6
			Securities Times	A10
			China Securities Journal	A17-18
16	Summary of Prospectus on A Share Issue	2008.5.14	Shanghai Securities Journal	D6-7
			Securities Times	A10-11
			China Securities Journal	A17

Significant Events

No.	Events	Date of Publication	Sources	Page No.
17	Indicative Announcement on A Share Issue	2008.5.16	Shanghai Securities Journal	D5
			Securities Times	C8
			China Securities Journal	A12
18	Announcement on Placing Results Outside the Network and Ballot Results Inside the Network In Respect of A Share Issue	2008.5.21	Shanghai Securities Journal	D7
			Securities Times	A8
			China Securities Journal	A14
19	Announcement on Ballot Results for the Subscription of Shares of A Share Issue Inside the Network	2008.5.22	Shanghai Securities Journal	D6
			Securities Times	A4
			China Securities Journal	A26
20	Announcement of Listing of A Shares under A Share Issue	2008.5.26	Shanghai Securities Journal	A16
			Securities Times	A7
			China Securities Journal	A19
21	Results of Resolutions of 2007 Annual General Meeting	2008.6.3	Shanghai Securities Journal	D10
22	Announcement on Resolution of the Board	2008.6.16	Shanghai Securities Journal	A6

The aforementioned announcements can be accessed at the website of the SSE (<http://www.sse.com.cn>) by entering the stock code of the Company at “Listed Company Information Search”.

Interim Financial Report (Unaudited)

Consolidated income statement

for the six months ended 30 June 2008 — unaudited
(Expressed in Renminbi Yuan)

	Note	For the six months ended 30 June	
		2008 RMB'000	2007 (Restated) RMB'000
Revenue	4	10,197,587	8,355,053
Cost of sales and services rendered		(7,382,860)	(5,935,910)
Gross profit		2,814,727	2,419,143
Other revenue	6	162,140	154,273
Other net income/(loss)	6	17,404	(7,599)
Selling and marketing costs		(633,919)	(579,422)
Administrative expenses		(344,623)	(275,679)
Profit from operations		2,015,729	1,710,716
Finance costs	7(a)	(452,337)	(302,419)
Share of profits of associates		2,510	1,156
Profit before taxation	7	1,565,902	1,409,453
Income tax	8	(209,874)	(384,087)
Profit for the period		1,356,028	1,025,366
Attributable to:			
Equity shareholders of the Company		1,304,440	895,329
Minority interests		51,588	130,037
Profit for the period		1,356,028	1,025,366
Dividends	9	—	251,136
Earnings per share	10		
Basic		RMB0.82	RMB0.65
Diluted		RMB0.82	RMB0.65

The notes on pages 49 to 67 form part of this interim financial report.

Interim Financial Report (Unaudited)

Consolidated balance sheet

as at 30 June 2008 – unaudited
(Expressed in Renminbi Yuan)

	Note	As at 30 June 2008 RMB'000	As at 31 December 2007 RMB'000
Non-current assets			
Fixed assets	11		
– Property, plant and equipment		23,178,696	21,469,915
– Interests in leasehold land held for own use under operating leases		1,070,559	999,377
		24,249,255	22,469,292
Intangible assets		226,351	231,520
Goodwill		16,120	16,120
Interest in associates		161,434	162,925
Loans and receivables		220,691	199,306
Other investment in equity securities		10	10
Available-for-sale equity securities	12	610,736	326,901
Deferred tax assets		87,328	79,642
		25,571,925	23,485,716
Current assets			
Held-to-maturity investments	13	1,500,000	–
Inventories	14	2,132,343	1,562,552
Trade receivables	15	3,389,682	3,470,929
Prepayments and other receivables		905,972	530,464
Amounts due from related parties	21(e)	475,287	423,140
Tax recoverable		18,664	30,799
Restricted cash deposits		10,064	5,977
Cash at bank and in hand	16	7,726,122	1,411,707
		16,158,134	7,435,568
Current liabilities			
Trade payables	18	1,624,429	1,930,814
Other payables and accruals		2,110,396	2,240,716
Bank loans and other borrowings	17	5,973,745	4,937,633
Amounts due to related parties	21(e)	102,020	108,013
Current portion of long-term payables		8,571	9,156
Current taxation		214,573	406,998
		10,033,734	9,633,330

Interim Financial Report (Unaudited)

Consolidated balance sheet

as at 30 June 2008 — unaudited
(Expressed in Renminbi Yuan)

	Note	As at 30 June 2008 RMB'000	As at 31 December 2007 RMB'000
Net current assets/(liabilities)		6,124,400	(2,197,762)
Total assets less current liabilities		31,696,325	21,287,954
Non-current liabilities			
Bank loans and other borrowings	17	7,772,255	9,822,027
Long-term payables		42,093	50,053
Deferred income		183,149	148,441
Deferred tax liabilities		20,119	20,331
		8,017,616	10,040,852
NET ASSETS		23,678,709	11,247,102
CAPITAL AND RESERVES	19		
Share capital		1,766,434	1,566,434
Reserves		21,415,624	9,216,479
Total equity attributable to equity shareholders of the Company		23,182,058	10,782,913
Minority interests		496,651	464,189
TOTAL EQUITY		23,678,709	11,247,102

The notes on pages 49 to 67 form part of this interim financial report.

Interim Financial Report (Unaudited)

Consolidated statement of changes in equity

for the six months ended 30 June 2008 — unaudited

(Expressed in Renminbi Yuan)

For the six months ended 30 June 2008

	Note	Attributable to equity shareholders of the Company								Total equity
		Share capital	Share premium	Capital reserve	Statutory	Fair	Retained profits	Total	Minority interests	
					surplus reserve	value reserve				
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2008		1,566,434	2,694,602	48,345	345,738	228,882	5,898,912	10,782,913	464,189	11,247,102
Profit for the period		—	—	—	—	—	1,304,440	1,304,440	51,588	1,356,028
New shares issued	19(a)	200,000	11,082,057	—	—	—	—	11,282,057	—	11,282,057
Acquisition of minority interests	20	—	—	(9,618)	—	—	—	(9,618)	(14,851)	(24,469)
Dividends declared by non-wholly owned subsidiaries to minority shareholders		—	—	—	—	—	—	—	(4,275)	(4,275)
Changes in fair value of available-for-sale equity securities	12	—	—	—	—	(177,734)	—	(177,734)	—	(177,734)
As at 30 June 2008		1,766,434	13,776,659	38,727	345,738	51,148	7,203,352	23,182,058	496,651	23,678,709

Interim Financial Report (Unaudited)

Consolidated statement of changes in equity

for the six months ended 30 June 2008 — unaudited

(Expressed in Renminbi Yuan)

For the six months ended 30 June 2007

	Note	Attributable to equity shareholders of the Company							Total	Minority interests	Total equity
		Share capital	Share premium	Capital reserve	Statutory surplus reserve	Fair value reserve	Retained profits				
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 1 January 2007		1,255,680	1,745,430	119,994	1,542,171	—	2,466,918	7,130,193	1,454,784	8,584,977	
Profit for the period (restated)	3	—	—	—	—	—	895,329	895,329	130,037	1,025,366	
Shares issued for acquisition of minority interests		287,999	906,829	—	—	—	—	1,194,828	(1,194,828)	—	
Shares issued for acquisition of subsidiaries under common control		22,755	42,343	(65,098)	—	—	—	—	—	—	
Dividends approved in respect of the previous year		—	—	—	—	—	(251,136)	(251,136)	—	(251,136)	
Dividends declared by non-wholly owned subsidiaries to minority shareholders		—	—	—	—	—	—	—	(3,847)	(3,847)	
Changes in fair value of available-for-sale equity securities		—	—	—	—	165,864	—	165,864	—	165,864	
Transfer between reserves	19(b)	—	—	(6,551)	(1,235,230)	—	1,241,781	—	—	—	
As at 30 June 2007 (as restated)		1,566,434	2,694,602	48,345	306,941	165,864	4,352,892	9,135,078	386,146	9,521,224	

The notes on pages 49 to 67 form part of this interim financial report.

Interim Financial Report (Unaudited)

Condensed consolidated cash flow statement

for the six months ended 30 June 2008 – unaudited
(Expressed in Renminbi Yuan)

	For the six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Net cash generated from operating activities	570,700	738,155
Net cash used in investing activities	(4,520,405)	(2,544,520)
Net cash generated from financing activities	10,264,120	1,306,898
Net increase/(decrease) in cash and cash equivalents	6,314,415	(499,467)
Cash and cash equivalents at 1 January	1,411,707	1,331,083
Cash and cash equivalents at 30 June	7,726,122	831,616

The notes on pages 49 to 67 form part of this interim financial report.

Interim Financial Report (Unaudited)

Notes on the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report of Anhui Conch Cement Company Limited (the “Company”) and its subsidiaries (the “Group”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) adopted by the International Accounting Standards Board (“IASB”). It was authorised for issuance on 14 August 2008.

The interim financial report has been prepared in accordance with substantially the same accounting policies adopted in the 2007 annual financial statements. Please refer to note 2 for the discussion of new and revised International Financial Reporting Standards (“IFRSs”) adopted by the Group in 2008.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2007 annual financial statements.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs. IFRSs include IAS and related interpretations.

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company.

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Group’s annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The Group’s annual financial statements for the year ended 31 December 2007 are available at the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their audit report dated 27 March 2008.

Interim Financial Report (Unaudited)

Notes on the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

2 NEW AND REVISED IFRSS

The IASB has issued a number of new and revised IFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2008. The board of directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements prepared under IFRSs for the year ending 31 December 2008, on the basis of IFRSs currently in issue.

The IFRSs that will be effective or are available for voluntary early adoption in the annual financial statements prepared under IFRSs for the year ending 31 December 2008 may be affected by the issue of additional interpretation(s) or other changes announced by the IASB subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies applied in this interim financial report for the periods presented.

3 CHANGE OF ACCOUNTING POLICY FOR BUSINESS COMBINATION UNDER COMMON CONTROL

As business combination under common control is explicitly excluded from the scope of IFRS 3, Business combination, the purchase method was adopted by the Group in the financial statements for the year ended 31 December 2006 and before such that any excess of the cost of business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities was recognised as goodwill.

In 2007, the above accounting policy was revised and the pooling-of-interests method was adopted to align with the accounting policies adopted for the Group's PRC statutory financial statements as a result of the implementation of China Accounting Standards for Business Enterprises (2006). Under the pooling-of-interests method, the assets and liabilities of the acquirees are accounted for at historical amounts and the consolidated financial statements of the Company prior to the business combination need to be restated to include the results of operations and assets and liabilities of the acquirees on a combined basis. The comparative figures for this interim report have been restated and the profit for the six months ended 30 June 2007 was reduced by RMB2,613,000 accordingly.

The effects of the above change of accounting policy and the restatement of certain comparative figures in this interim financial report were disclosed in the Group's annual financial statements for the year ended 31 December 2007.

Interim Financial Report (Unaudited)

Notes on the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

4 REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are manufacture and sales of clinkers and cement products. Revenue represents the sales value of goods supplied to customers, net of value-added tax and surcharges, and other service income.

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segment

No business segment information is presented as over 90% of the Group's revenue and operating profits are derived from the sales of clinkers and cement products.

Geographical segments

The Group's assets are all located in the People's Republic of China ("the PRC"), which is considered as one geographic location with similar risks and returns.

	For the six months ended	
	30 June 2008	30 June 2007 (Restated)
	RMB'000	RMB'000
Revenue from external customers		
– the PRC	8,894,142	6,730,790
– others	1,303,445	1,624,263
	10,197,587	8,355,053

5 SEASONALITY OF OPERATIONS

The Group on average experiences higher cement demands in the second half of the year. As a result, the Group typically reports lower revenue and results in the first half of the year.

Interim Financial Report (Unaudited)

Notes on the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

6 OTHER REVENUE AND NET INCOME/(LOSS)

(a) Other revenue

	For the six months ended	
	30 June 2008	30 June 2007 (Restated)
	RMB'000	RMB'000
Subsidy income	138,048	145,360
Interest income	24,092	8,913
	162,140	154,273

(b) Other net income/(loss)

	For the six months ended	
	30 June 2008	30 June 2007
	RMB'000	RMB'000
Net realised gain on trading securities	12,888	—
Net loss on disposal of fixed assets	(883)	(600)
Exchange loss	(1,499)	(6,999)
Others	6,898	—
	17,404	(7,599)

Interim Financial Report (Unaudited)

Notes on the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	For the six months ended	
	30 June 2008 RMB'000	30 June 2007 RMB'000
(a) Finance costs:		
Interest on bank and other borrowings	493,574	324,637
Less: borrowing costs capitalised into construction-in-progress	(41,237)	(22,218)
	452,337	302,419
	For the six months ended	
	30 June 2008 RMB'000	30 June 2007 (Restated) RMB'000
(b) Other items:		
Depreciation	663,654	536,136
Amortisation of interests in leasehold land held for own use under operating leases	11,391	13,573
Other amortisation	6,273	5,752
Staff costs	335,492	289,423

Interim Financial Report (Unaudited)

Notes on the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

8 INCOME TAX

	For the six months ended	
	30 June 2008 RMB'000	30 June 2007 RMB'000
Current tax-PRC Enterprise Income Tax		
Provision for the period	217,772	380,034
Under-provision in respect of prior periods	—	15,861
	217,772	395,895
Deferred tax		
Origination and reversal of temporary differences	(7,898)	(21,960)
Effect of decrease in tax rate on deferred tax balances at 30 June	—	10,152
	(7,898)	(11,808)
	209,874	384,087

No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2008 and 2007 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

Interim Financial Report (Unaudited)

Notes on the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

8 INCOME TAX (CONTINUED)

Individual companies within the Group are generally subject to Enterprise Income Tax at 25% (2007: 33%) on taxable income determined according to the relevant income tax rules and regulation of the PRC, except for:

Prosperity Conch Cement Co., Ltd. (“Prosperity Conch”) 英德海螺水泥有限責任公司 (Note i)	12.5%
Xinye Kuiyang Conch Cement Co., Ltd. (“Kuiyang Conch”) 興業葵陽海螺水泥有限責任公司 (Note ii)	0%
Fusui Xinning Conch Cement Co., Ltd. (“Xinning Conch”) 扶綏新寧海螺水泥有限責任公司 (Note iii)	0%
Beiliu Conch Cement Co., Ltd. (“Beiliu Conch”) 北流海螺水泥有限責任公司 (Note iv)	0%

Notes:

- (i) Prosperity Conch is a sino-foreign enterprise. In 2006, Prosperity Conch was recognised by the local tax authorities as a productive sino-foreign enterprise, and thus is entitled to an Enterprise Income Tax exemption for the first two profitable years and a 50% reduction of Enterprise Income Tax for the subsequent three years. As 2008 is the third profitable year of Prosperity Conch, the applicable Enterprise Income Tax rate is therefore 12.5%.
- (ii) Kuiyang Conch was recognised by the local tax authorities as a company located in mid-west China, and thus is entitled to an Enterprise Income Tax exemption for the five years ending 31 December 2010. The applicable Enterprise Income Tax rate in 2008 is therefore 0%.
- (iii) Xinning Conch was recognised by the local tax authorities as a company located in mid-west China, and thus is entitled to an Enterprise Income Tax exemption for the five years ending 31 December 2009. The applicable Enterprise Income Tax rate in 2008 is therefore 0%.
- (iv) Beiliu Conch was recognised by the local tax authorities as a company located in mid-west China, and thus is entitled to an Enterprise Income Tax exemption for the five years ending 31 December 2011. The applicable Enterprise Income Tax rate in 2008 is therefore 0%.

9 DIVIDENDS

During the six months ended 30 June 2008, a shareholders’ meeting approved no final dividend appropriation for the year ended 31 December 2007 (final dividend for the year ended 31 December 2006 declared during the six months ended 30 June 2007: RMB251,136,000 (RMB0.20 per share)).

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

Interim Financial Report (Unaudited)

Notes on the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2008 of RMB 1,304,440,000 (six months ended 30 June 2007 (restated): RMB895,329,000) and the weighted average number of shares in issue during the six months ended 30 June 2008 of 1,599,767,000 (six months ended 30 June 2007: 1,374,435,000).

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the six months ended 30 June 2008 and 2007.

11 FIXED ASSETS

(a) Acquisitions and disposals

During the six months ended 30 June 2008, the Group acquired interests in leasehold land held for own use under operating leases with a cost of RMB82,573,000 (six months ended 30 June 2007: RMB118,595,000).

During the six months ended 30 June 2008, the Group acquired property, plant and equipment with a cost of RMB2,403,163,000 (six months ended 30 June 2007: RMB2,674,745,000).

Assets with a carrying amount of RMB39,198,000 were disposed of during the six months ended 30 June 2008 (six months ended 30 June 2007: RMB22,941,000), resulting in a net loss on disposal of RMB883,000 (six months ended 30 June 2007: RMB600,000).

Interim Financial Report (Unaudited)

Notes on the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

11 FIXED ASSETS (CONTINUED)

(b) Capital commitments

Capital commitments outstanding at 30 June 2008 not provided for in the interim financial report were as follows:

	As at 30 June 2008 RMB'000	As at 31 December 2007 RMB'000
Contracted for	2,060,575	2,877,795
Authorised but not contracted for	5,613,756	6,148,976
	7,674,331	9,026,771

12 AVAILABLE-FOR-SALE EQUITY SECURITIES

	Note	As at 30 June 2008 RMB'000	As at 31 December 2007 RMB'000
Available-for-sale equity securities			
– Unlisted in the PRC	(a)	142,844	326,901
– Listed in the PRC	(b)	467,892	–
		610,736	326,901

- (a) In 2006, the Company and Anhui Chaodong Cement Group Company Limited (“Chaodong Group”), a related party, entered into a Share Transfer Agreement pursuant to which the Company agreed to acquire 39,385,700 A shares of Anhui Chaodong Cement Company Limited (“Chaodong Company”) (representing approximately 19.69% of the then total number of shares of Chaodong Company) held by Chaodong Group at a price of RMB2.48 per share for a total cash consideration of RMB97,677,000. On 13 April 2007, the approval from the China Securities Regulatory Commission (“CSRC”) in respect of the aforesaid transaction was obtained, and the transfer of these A shares was registered on the Shanghai Stock Exchange (“the SSE”) in June 2007. These A shares are not transferable for a three-year period from the date the transfer became effective. The total investment cost in Chaodong Company, including transaction costs, of RMB98,019,000 is recognised as available-for-sale equity securities.

At 30 June 2008, the fair value of these available-for-sale equity securities amounted to RMB142,844,000, after taking into account a decrease of RMB184,057,000 in fair value during the six months ended 30 June 2008. Such decrease has been recognised in the fair value reserve.

Interim Financial Report (Unaudited)

Notes on the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

12 AVAILABLE-FOR-SALE EQUITY SECURITIES (CONTINUED)

- (b) During the six months ended 30 June 2008, the Group purchased the shares of certain companies listed on the SSE and the Shenzhen Stock Exchange (“A-share investments”) for long-term investment purpose. The total investment cost of these A-share investments, including transaction costs, totalling RMB461,569,000 is recognised as available-for-sale equity securities.

At 30 June 2008, the fair value of these available-for-sale equity securities amounted to RMB467,892,000 which included an increase of RMB6,323,000 in fair value during the six-month period ended 30 June 2008. Such increase has been recognised in the fair value reserve.

13 HELD-TO-MATURITY INVESTMENTS

During the six months ended 30 June 2008, the Group purchased certain structured investment products with fixed maturity date and yield from a bank amounting to RMB1,500,000,000. The maturity dates of these investments are 14 July and 13 August 2008 respectively.

14 INVENTORIES

	As at 30 June 2008 RMB'000	As at 31 December 2007 RMB'000
Raw materials	846,554	538,810
Work in progress	108,847	85,331
Finished goods	937,130	707,231
Spare parts	239,812	231,180
	2,132,343	1,562,552

Interim Financial Report (Unaudited)

Notes on the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

15 TRADE RECEIVABLES

Credit terms granted by the Group to sales agents and other customers generally range from one to two months. An ageing analysis of trade receivables, net of impairment losses for bad and doubtful debts, is set out below:

	As at 30 June 2008 RMB'000	As at 31 December 2007 RMB'000
Current or overdue within 60 days	3,381,324	3,469,397
Overdue between 60 days and 1 year	8,052	1,093
Overdue between 1 year and 2 years	306	439
	3,389,682	3,470,929

16 CASH AT BANK AND IN HAND

	As at 30 June 2008 RMB'000	As at 31 December 2007 RMB'000
Cash in hand	135	144
Saving deposits at banks	7,725,987	1,411,563
	7,726,122	1,411,707

As at 30 June 2008, the Group did not have cash at banks that are pledged as security (31 December 2007: Nil).

Interim Financial Report (Unaudited)

Notes on the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

17 BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are as follows:

	Note	As at 30 June 2008 RMB'000	As at 31 December 2007 RMB'000
Non-current bank loans and other borrowings			
Bank loans			
– Unsecured	(i)	7,056,800	9,099,300
Other borrowings			
– Secured	(ii)	650,000	650,000
– Unsecured	(iii)	65,455	72,727
		7,772,255	9,822,027
Current bank loans and other borrowings			
– Secured bank loans		–	60,000
– Unsecured bank loans	(i)	4,965,000	3,868,500
– Other borrowings	(iv)	1,008,745	1,009,133
		5,973,745	4,937,633

(i) At 30 June 2008, unsecured bank loans of the Group totalling RMB9,581,800,000 (31 December 2007: RMB10,459,800,000) were guaranteed by Anhui Conch Holdings Company Limited (“Conch Holdings”).

(ii) Other non-current secured borrowings of the Group are provided by the International Finance Corporation (“IFC”). The loan bears interest at a rate of 5.32% (31 December 2007: 5.32%) per annum and is repayable in September 2015. At 30 June 2008, the loan was secured by property, plant and equipment of the Group with carrying amount of approximately RMB616,205,000 (31 December 2007: RMB637,064,000) and leasehold land held for own use under operating leases of the Group with carrying amount of approximately RMB53,816,000 (31 December 2007: RMB54,413,000). The loan is subject to various financial covenants that are reported to IFC on a quarterly basis.

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17 BANK LOANS AND OTHER BORROWINGS (CONTINUED)

- (iii) Other unsecured non-current borrowings of the Group are national debt loan provided by the Anhui Finance Bureau. The loan bears interest at a rate of 2.82% (31 December 2007: 2.82%) per annum and is repayable in June 2017.
- (iv) At 30 June 2008, other current borrowings of the Group amounting to RMB1,008,745,000 (31 December 2007: RMB1,009,133,000) were outstanding discounted bills with recourse, of which RMB50,000,000 (31 December 2007: Nil) were guaranteed by Conch Holdings.

At 30 June 2008 and 31 December 2007, the bank loans were repayable as follows:

	As at 30 June 2008 RMB'000	As at 31 December 2007 RMB'000
Within 1 year or on demand	4,965,000	3,928,500
After 1 year but within 2 years	3,193,800	4,265,300
After 2 years but within 5 years	3,638,000	4,324,000
After 5 years	225,000	510,000
Total non-current bank loans	7,056,800	9,099,300
	12,021,800	13,027,800

18 TRADE PAYABLES

Ageing analysis of trade payables, based on due date, is as follows:

	As at 30 June 2008 RMB'000	As at 31 December 2007 RMB'000
Current, overdue within 1 year or on demand	1,616,694	1,927,139
Overdue between 1 and 2 years	4,696	2,308
Overdue between 2 and 3 years	2,851	1,112
Overdue for more than 3 years	188	255
	1,624,429	1,930,814

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19 CAPITAL AND RESERVES

(a) Issuance of additional A shares

On 3 April 2008, the application of the Company to issue not more than 200,000,000 A shares on the SSE was approved by the CSRC. The Company issued 200,000,000 A shares with par value of RMB1.00 each at a price of RMB57.38 each in May 2008, with total issue costs of RMB193,943,000. The above A shares were floated on the SSE on 28 May 2008 and 30 June 2008.

(b) Transfer between reserves

The Group adopted China Accounting Standards for Business Enterprise (2006) (“the new PRC Accounting Standards”) and other regulations promulgated by the PRC Ministry of Finance on 15 February 2006 with effective from 1 January 2007. In accordance with further guidance of the China Accounting Standard Bulletin No. 1, which forms part of the new PRC Accounting Standards, issued on 16 November 2007, appropriations to statutory surplus reserves in prior years were adjusted due to the change in net profit arising from prior year adjustments made as a result of the implementation of the new PRC Accounting Standards.

The aforesaid transfer between reserves was disclosed in the Group’s annual financial statements for the year ended 31 December 2007.

20 ACQUISITION OF MINORITY INTERESTS

On 29 June 2007, the Company as purchaser and Cheong Sing Merchandise Agency Limited as vendor entered into a sale and purchase agreement pursuant to which both parties agreed to transfer the 25% equity interests in Wuhu Plastic Product Co.,Ltd. In accordance with the sale and purchase agreement, the Company paid cash of RMB13,760,000 to Cheong Sing Merchandise Agency Limited as purchase consideration for such acquisition. On 30 January 2008, the acquisition was approved by the relevant government authorities and completed. The carrying amount of the minority interests acquired amounted to RMB10,345,000 at the acquisition date.

On 29 June 2007, Shanghai Conch Construction Material International Trading Co., Ltd (“Shanghai Conch International”) as purchaser and Conch Holdings as vendor entered into a sale and purchase agreement pursuant to which both parties agreed to transfer the 20% equity interests in Wuhu Conch Logistics Co., Ltd. In accordance with the sale and purchase agreement, Shanghai Conch International paid cash of RMB10,709,000 to Conch Holdings as purchase consideration for such acquisition. On 6 March 2008, the acquisition was approved by the relevant government authorities and completed. The carrying amount of the minority interests acquired amounted to RMB4,506,000 at the acquisition date.

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21 MATERIAL RELATED PARTY TRANSACTIONS

(a) Related parties information

Name of related party	Nature of relationship
Conch Holdings	Substantial shareholder of the Company
Anhui Conch Venture Investment Company Limited (“Conch Venture”)	Shareholder of Conch Holdings and the Company, some directors of the Company are also directors and equity holders of Conch Venture
Wuhu International Grand Hotel	Subsidiary of Conch Holdings
Wuhu Conch Profiles and Science Co., Ltd.	Subsidiary of Conch Holdings
Yingde Conch Profiles and Science Co., Ltd.	Subsidiary of Conch Holdings
Anhui Conch Construction Materials Design Centre	Subsidiary of Conch Holdings
Guangxi Fusui Conch Cement Co., Ltd. (“Fusui Conch”)	Associate of the Company
Guangxi Xingye Conch Cement Co., Ltd. (“Xingye Conch”)	Associate of the Company
Anhui Conch Kawasaki Engineering Company Limited (“Conch Kawasaki”)	Joint venture of Conch Venture
Chaodong Group	A supervisor of the Company is the Chairman of Chaodong Group

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21 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies

Apart from the transactions as disclosed in notes 12 and 20, the Group has also entered into the following material related party transactions:

(i) Transactions with Conch Holdings

	For the six months ended	
	30 June 2008 RMB'000	30 June 2007 RMB'000
Trademark licence fees payable	757	757
Guarantee provided by Conch Holdings	9,631,800	8,854,350
Composite service fees payable	1,806	1,382

(ii) Transactions with other related parties

	For the six months ended	
	30 June 2008 RMB'000	30 June 2007 RMB'000
Purchase of fixed assets	340,200	—
Purchase of materials	2,141	1,694
Purchase of services	10,340	7,862

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21 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions and balances with other state-controlled entities in the PRC

The Group operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Apart from the transactions mentioned in note 21(b) above, the Group has conducted transactions with other state-controlled entities which include, but are not limited to, purchases of coal and depositing and borrowing money.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its approval process for sales of cement, purchases of coal and its financing policy for borrowing. Such approval process and financing policy do not depend on whether the counterparties are state-controlled entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group's approval processes and financing policy, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions and balances require disclosure as related party transactions:

	For the six months ended	
	30 June 2008 RMB'000	30 June 2007 RMB'000
Purchase of coal	516,733	616,767
Interest expenses	411,911	285,021

	As at	
	30 June 2008 RMB'000	31 December 2007 RMB'000
Cash at bank	7,684,943	1,416,090
Prepayments and other receivables	84,890	75,000
Bank loans and other borrowings	11,622,254	13,315,530

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21 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	For the six months ended	
	30 June 2008 RMB'000	30 June 2007 RMB'000
Short-term employees benefits	367	602
Post-employment benefits	38	38
	405	640
Directors and supervisors	56	362
Senior management	349	278
	405	640

(e) Amounts due from/to related parties

(i) Due from related parties

	As at 30 June 2008 RMB'000	As at 31 December 2007 RMB'000
Conch Kawasaki	475,287	423,130
Other related companies	—	10
	475,287	423,140

(ii) Due to related parties

	As at 30 June 2008 RMB'000	As at 31 December 2007 RMB'000
Xingye Conch	56,800	56,800
Fusui Conch	41,373	41,373
Conch Kawasaki	—	7,740
Other related companies	3,847	2,100
	102,020	108,013

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22 CONTINGENT LIABILITIES

At 30 June 2008, the Group did not have any material contingent liabilities.

23 COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current period's presentation of income statement and reflect certain restatements mentioned in note 3 to facilitate comparison.

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDING 31 DECEMBER 2008

Up to the date of issue of this interim financial report, the IASB has issued the following amendments and new standards which are not yet effective for the accounting period ending 31 December 2008:

		Effective for accounting periods beginning on or after
IFRS 8	Operating segments	1 January 2009
Revised IAS 23	Borrowing costs	1 January 2009
Revised IAS 1	Presentation of financial statements	1 January 2009
Amendments to IAS 32	Financial instruments: Presentation	1 January 2009
Revised IFRS 3	Business combination	1 July 2009
Amendments to IAS 27	Consolidated and separate financial statements	1 July 2009

The above amendments and new standards were not applied in this interim financial report because the directors expect that the Group will not early apply them when preparing the Group's annual financial statements for the year ending 31 December 2008.

The Group is in the process of making an assessment of the impact of these amendments and new standards in the period of initial application and has so far concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Documents Available for Inspection

- (1) A copy of this interim report bearing the signature of the Chairman of the Board;
- (2) A copy of the financial statements bearing the signatures and seals of each of the officers in-charge of the Company, the accounting function and the accounting department;
- (3) Copies of all the documents of the Company which were disclosed in the newspaper designated by the CSRC during the Reporting Period;
- (4) A copy of the articles of the Company; and
- (5) A copy of the interim report disseminated in Hong Kong's securities market.

Anhui Conch Cement Company Limited
Guo Wensan
Chairman

14 August 2008