CONCH

2008 ANNUAL REPORT

Anhui Conch Cement Company Limited

(A Share: 600585 H Share: 0914)

Important

The Board, Supervisory Committee and Directors, Supervisors and the 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 jointly and severally accept responsibility for the truthfulness, accuracy and completeness of its contents.

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

Definitions

The following terms and expressions contained in this report shall, unless the context otherwise requires, have the meanings assigned to them as follows:

The Company/Conch Cement	:	Anhui Conch Cement Co., Ltd.
The Group	:	The Company and its subsidiaries
Board	:	Board of Directors of the Company
Director(s)	:	Director(s) of the Company
Supervisory Committee	:	Supervisory committee of the Company
Supervisor(s)	:	Supervisor(s) of the Company
Beiliu Conch	:	Beiliu Conch Cement Co., Ltd.
Chizhou Conch	:	Anhui Chizhou Conch Cement Co., Ltd.
Digang Conch	:	Anhui Digang Conch Cement Co., Ltd.
Fusui Conch	:	Fusui Xinning Conch Cement Co., Ltd.
Hunan Conch	:	Hunan Conch Cement Co., Ltd.
Huaining Conch	:	Anhui Huaining Conch Cement Co., Ltd.
Conch Holdings	:	Anhui Conch Holdings Co., Ltd.
Conch Venture	:	Anhui Conch Venture Investment Co., Ltd.
Conch Profiles	:	Wuhu Conch Profiles and Science Co., Ltd.
Conch International	:	Shanghai Conch International Investment and Development Co., Ltd.
Conch Kawasaki Engineering	:	Anhui Conch Kawasaki Engineering Co., Ltd.
Conch Kawasaki Equipment	:	Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.
Conch M & E	:	Anhui Conch Machinery & Electric Co., Ltd.
Conch Building Materials	:	Anhui Conch Building Materials Co., Ltd.
Longshan Cement	:	Yingde Longshan Cement Co., Ltd.
Shuangfeng Conch	:	Shuangfeng Conch Cement Co., Ltd.
Shimen Conch	:	Shimen Conch Cement Co., Ltd.
Tongling Conch	:	Anhui Tongling Conch Cement Co., Ltd.
Wuhu Conch	:	Wuhu Conch Cement Co., Ltd.

Definitions

Xuancheng Conch	:	Anhui Xuancheng Conch Cement Co., Ltd.
Xing'an Conch	:	Xing'an Conch Cement Co., Ltd.
Xingye Conch	:	Xingye Kuiyang Conch Cement Co., Ltd.
Prosperity Conch	:	Prosperity Conch Cement Co., Ltd.
Zongyang Conch	:	Anhui Zongyang Conch Cement Co., Ltd.
Regional Committee(s)	:	Regional committee(s) of the Company, a management institution specially established for implementation of regional management in order to strengthen the Company's management over its subsidiaries and enhance management efficiency through identifying certain subsidiaries in a particular province or its neighboring region as a regional management unit
Reporting Period	:	The period from 1 January 2008 to 31 December 2008
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
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
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
PRC	:	The People's Republic of China
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
CSRC	:	China Securities Regulatory Commission
Articles	:	Articles of Association of the Company

Contents

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 553 8398918
	Fax number	:	0086 553 8398931
	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 8398927
	Fax number	:	0086 553 8398931
	Email address	:	dms@conch.cn
(4)	Registered address of the Company	:	209 Beijing East Road, Wuhu City, Anhui Province, the PRC
	Office address of the Company	:	1011 Jiuhuashan South 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 annual report is available for inspection	:	Secretariat to the Board
(6)	Exchanges on which the Company's shares are listed		
	H Shares	:	Stock Exchange
	Stock code	:	00914
	A Shares	:	SSE
	Stock code	:	600585
	Stock name	:	Conch Cement

Basic Corporate Information

(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
	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
	Business license number for legal persons	:	340000000000081
	Tax registration number	:	GSHZ 34020214949036-X DSHZ 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

Summary of Accounting Data and Operating Data

(1) FINANCIAL SUMMARY PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") FOR THE YEAR ENDED 31 DECEMBER

(Unit: RMB'000)

Item	2008	2007	2006 (Restated)	2005 (Restated)	2004 (Restated)
Revenue	**24,228,268**	18,776,098	16,096,057	13,385,677	10,975,786
Net profit attributable to equity shareholders of the Company for the year	**2,607,223**	2,480,146	1,543,767	513,639	1,092,212
Total assets	**42,383,736**	30,921,284	22,737,644	20,024,756	16,744,017
Total liabilities	**17,496,416**	19,674,182	14,152,667	13,117,620	10,067,829

Note: In 2007, the Company changed its accounting policies for business combination under common control from purchase method to pooling-of-interests method and made retrospective adjustments accordingly. In 2007, the Company acquired certain subsidiaries of its holding company, Conch Holdings, which was a business combination under common control, and the comparative figures for year 2004 to year 2006 were thus restated in the above table.

(2) ACCOUNTING DATA PREPARED IN ACCORDANCE WITH CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (2006) ("PRC ACCOUNTING STANDARDS")

For details of financial statements prepared based on PRC Accounting Standards, please refer to the annual report in Chinese version.

1. Profit indicators for the Reporting Period

(Unit: RMB'000)

Item	Amount
Operating profit	2,987,143
Profit before taxation	3,245,749
Net profit attributable to equity shareholders of the Company	2,607,012
Net profit after extraordinary items attributable to equity shareholders of the Company	2,424,995
Net cash flow generated from operating activities	5,266,375

Summary of Accounting Data and Operating Data

2. Extraordinary items and amount for the Reporting Period

(Unit: RMB'000)

Extraordinary items	Amount
(1) Gain on disposal of long term equity investment and fixed assets	3,682
(2) Government subsidy income	172,994
(3) Net realized gain on disposal of trading equity securities and available-for-sale equity securities	44,554
(4) Interest income from held-to-maturity investments	8,325
(5) Other extraordinary items	7,811
(6) Effect of extraordinary items on income tax	(55,351)
(7) Effect of extraordinary items on minority interests	2
Total	182,017

3. Major accounting data and financial indicators for the preceding three years

(Unit: RMB'000)

Items	**2008**	2007	Year-on-year changes +/-(%)	2006 (As restated)	2006 (As previously reported)
Revenue	**24,228,268**	18,776,098	29.04	16,096,057	15,372,175
Profit before taxation	**3,245,749**	3,484,988	(6.86)	2,586,279	2,498,309
Net profit attributable to equity shareholders of the Company	**2,607,012**	2,494,219	4.52	1,518,736	1,427,931
Net profit after extraordinary items attributable to equity shareholders of the Company	**2,424,995**	2,285,784	6.09	1,354,381	1,325,424
Basic earnings per share (RMB/share)	**1.55**	1.70	(8.82)	1.19	1.14
Diluted earnings per share (RMB/share)	**1.55**	1.70	(8.82)	1.19	1.14
Basic earnings per share after extraordinary items (RMB/share)	**1.44**	1.55	(7.10)	1.06	1.06
Diluted return on net assets (%)	**10.51**	22.51	decreased by 12 percentage points	20.61	20.25
Weighted average return on net assets (%)	**13.81**	26.39	decreased by 12.58 percentage points	22.60	22.38
Diluted return on net assets after extraordinary items (%)	**9.78**	20.63	decreased by 10.85 percentage points	18.38	18.80
Weighted average return on net assets after extraordinary items (%)	**12.85**	24.19	decreased by 11.34 percentage points	20.16	20.77
Net cash flow generated from operating activities	**5,266,375**	2,668,807	97.33	3,052,730	2,926,949
Net cash flow generated per share from operating activities (RMB/share)	**2.98**	1.70	75.29	2.39	2.33

Summary of Accounting Data and Operating Data

(Unit: RMB'000)

Items	**As at the end of 2008**	As at the end of 2007	Year-on-year changes +/-(%)	As at the end of 2006 (As restated)	As at the end of 2006 (As previously reported)
Total assets	**42,532,123**	31,040,609	37.02	22,935,880	22,305,525
Total equity attributable to equity shareholders of the Company	**24,796,664**	11,079,605	123.80	7,370,154	7,051,706
Net assets per share attributable to equity shareholders of the Company	**14.04**	7.07	98.59	5.76	5.62

Note: Pursuant to the "China Accounting Standards for Business Enterprises" and other related regulations, retrospective adjustment has been made to the relevant information for the previous years.

4. Cash dividend for the preceding three years

Year	**Cash dividend for the year** (RMB'000)	**Cash dividend for the year as a percentage of net profit attributable to equity shareholders of the Company**
2005	87,898	15.95%
2006	251,136	16.54%
2007	–	–

Summary of Accounting Data and Operating Data

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

(Unit: RMB'000)

	Net profit attributable to equity shareholders of the Company		Equity attributable to equity shareholders of the Company	
	1 January to 31 December 2008 (Audited)	1 January to 31 December 2007 (Audited)	**As at 31 December 2008 (Audited)**	As at 31 December 2007 (Audited)
As reported in the statutory financial statements in accordance with PRC Accounting Standards	**2,607,012**	2,494,219	**24,796,664**	11,079,605
– Reversal of valuation surplus of land use rights upon restructuring of the Group	**3,838**	3,838	**(148,387)**	(152,225)
– Deferral of subsidy income not subject to "China Accounting Standards for Business Enterprises No.16 – Government Subsidy" in accordance with IFRS	**(3,627)**	(17,911)	**(226,804)**	(144,467)
As reported in accordance with IFRS	**2,607,223**	2,480,146	**24,421,473**	10,782,913

Changes in Share Capital and Shareholders

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

(Unit: Shares)

		Before change		Increase/decrease (+, -)			After change	
	Class of shares	Number	Percentage (%)	Issue of new shares	Others	Subtotal	Number	Percentage (%)
I.	Shares with trading restrictions	870,450,193	55.6	–	-62,695,877	-62,695,877	807,754,316	45.73
1.	State-owned legal person shares	582,451,147	37.2	–	-62,784,000	-62,784,000	519,667,147	29.42
2.	Other domestic shares	287,999,046	18.4	–	+88,123	+88,123	288,087,169	16.31
II.	Shares without trading restrictions	695,984,000	44.4	+200,000,000	+62,695,877	+262,695,877	958,679,877	54.27
1.	RMB-denominated ordinary shares (i.e. A Shares)	262,784,000	16.8	+200,000,000	+62,695,877	+262,695,877	525,479,877	29.75
2.	Overseas-listed foreign shares (i.e. H Shares)	433,200,000	27.6	–	–	–	433,200,000	24.52
III.	Total number of shares	1,566,434,193	100	+200,000,000	–	+200,000,000	1,766,434,193	100

Notes:

1. During the Reporting Period, 62,784,000 floating A Shares with trading restrictions held by State-owned legal person (i.e. Conch Holdings) were released from trading restrictions.

2. During the Reporting Period, the Company issued 200,000,000 A Shares by way of public offer.

(2) CHANGES IN SHARES WITH TRADING RESTRICTIONS:

(Unit: Shares)

Name of Shareholders	Number of shares with trading restrictions at the beginning of the year	Number of shares released from trading restrictions during the year	Increase in number of shares with trading restrictions during the year	Number of shares with trading restrictions at the end of the year	Reasons for trading restrictions	Date of release from trading restrictions
Conch Holdings	559,696,000	62,784,000	–	496,912,000	Share segregation reform	3 March 2008
Conch Holdings	22,755,147	–	–	22,755,147	Private issue of shares	25 May 2010
Conch Venture	287,999,046	–	–	287,999,046	Private issue of shares	25 May 2010
Wang Jianchao	–	–	88,123	88,123	Shares held by senior management	The number of shares to be released from trading restrictions on the 1st trading day of each year represents 25% of the number of shares held as at the last trading day of the preceding year
Total	870,450,193	62,784,000	88,123	807,754,316	–	–

Changes in Share Capital and Shareholders

Note: Commitments of Conch Holdings under the share segregation reform: the non-floating shares of Conch Cement held by Conch Holdings shall not be traded or transferred on the SSE within the 12-month period from the date (2 March 2006) on which its non-floating shares became listed and tradable on the SSE, and the number of shares held by Conch Holdings in Conch Cement to be sold through trading on the SSE shall not exceed 5% and 10% of the Company's total issued shares (i.e. 1,255,680,000 shares) as at the time of implementation of the share segregation reform during the periods of 12 months and 24 months respectively from the expiry date of the commitment period.

Pursuant to such commitment, 62,784,000 shares and 62,784,000 shares held by Conch Holdings were released from trading restrictions on 7 March 2007 and 3 March 2008 respectively, totalling 125,568,000 shares. The remaining 496,912,000 shares held by Conch Holdings with trading restrictions imposed under share segregation reform were listed and traded on the SSE on 2 March 2009.

(3) ISSUANCE AND LISTING OF SECURITIES FOR THE PRECEDING THREE YEARS

1. In 2007, the Company issued 22,755,147 and 287,999,046 A Shares to Conch Holdings and Conch Venture respectively at the issue price of RMB13.30 per share as consideration for the acquisition of relevant assets of Conch Holdings and Conch Venture. Such issue was approved by CSRC on 24 April 2007 (Zheng Jian Gong Si Zi [2007] No.74) and registration with CSDCCL Shanghai Branch was completed on 25 May 2007. Shares issued to Conch Holdings and Conch Venture were subject to a lock-up period of 3 years and will become listed and tradable on the SSE on 26 May 2010. Subsequent to completion of such issue, the number of shares in the Company increased by 310,754,193 A Shares from a total of 1,255,680,000 shares to 1,566,434,193 shares.

2. During the Reporting Period, the Company issued 200,000,000 A Shares by way of pubic offer at the offer price of RMB57.38 per share and the gross proceeds raised from this issue were RMB11,476 million. Net proceeds raised from this issue, after deduction of issuing expenses, amounted to RMB11,282 million. The issue was approved by CSRC on 3 April 2008 (Zheng Jian Xu Ke [2008] No.496). On 14 May 2008, the prospectus and relevant announcements were published in the PRC to implement the proposal on the public issue. On 22 May 2008, shares registration with CSDCCL Shanghai Branch was completed. The 200,000,000 A Shares issued by way of public offer were listed and traded on the SSE as at 30 June 2008. The total number of shares of the Company increased from 1,566,434,193 shares to 1,766,434,193 shares following the completion of this issue.

Changes in Share Capital and Shareholders

(4) SUMMARY OF TRADING OF THE COMPANY'S SHARES IN 2008

	A Share/RMB	H Share/HK$
Opening price on the first trading day of the year	71.80	67.85
Closing price on the last trading day of the year	25.93	35.65
Highest trading price during the year	82.80	76.50
Lowest trading price during the year	14.45	13.50

(5) SHAREHOLDERS

1 As at 31 December 2008, the total number of shareholders was 27,942, of which 73 were holders of H Shares.

2 As at 31 December 2008, the shareholdings of the top ten shareholders and the top ten holders of floating shares of the Company were set out as follows:

Name of shareholder	Nature of shareholder	Number of shares held at the end of the Reporting Period	Percentage of shareholding (%)	Class of shares
1 Conch Holdings (Note 1)	State-owned	629,957,260	35.66	A Share
2 HKSCC Nominees Limited (Note 2)	Foreign	432,684,997	24.49	H Share
3 Conch Venture	Other	287,999,046	16.30	A Share
4 Bank of China – Harvest Stable Open Securities Investment Fund	Other	17,653,600	1.00	A Share
5 UBS AG	Other	15,038,154	0.85	A Share
6 International Capital Corporation – Citigroup – Nomura Securities Co., Ltd.	Other	15,000,000	0.85	A Share
7 International Capital Corporation – HSBC – JPMorgan Chase Bank, National Association	Other	13,258,825	0.75	A Share
8 China Construction Bank – Yinhua Selected Core Value Equity Investment Fund	Other	11,000,000	0.62	A Share
9 Bank of Communications – Fuguo Tianyi Value Securities Investment Fund	Other	9,883,079	0.56	A Share
10 Shanghai Pudong Development Bank – GFF Small-sized Growth Stock Securities Investment Fund	Other	8,485,153	0.48	A Share
11 China Construction Bank – Greatwall Brand Aborative-select Securities Investment Fund	Other	7,879,715	0.45	A Share

Notes:

(1) Among the above-mentioned shareholders, Conch Holdings held 629,957,260 A Shares of the Company, representing 35.66% of the total share capital of the Company; of which 110,290,113 A Shares were floating shares without trading restriction, representing 6.24% of the total share capital of the Company; and 519,667,147 A Shares were floating shares with trading restrictions.

Changes in Share Capital and Shareholders

(2) HKSCC Nominees Limited held 432,684,997 H Shares, representing 24.49% of the total share capital of the Company, and 99.88% of the total number of H Shares issued by the Company, on behalf of its various clients.

(3) So far as the Board is aware, Conch Holdings and Conch Venture have connected relationship and are parties acting in concert. Save for the aforesaid, the Board is not aware of any connected relationship or parties acting in concert among the above-mentioned shareholders.

(4) The Company is not aware of any pledge or moratorium of shares held by shareholders holding more than 5% of the issued share capital of the Company.

(5) As at 31 December 2008, the following persons (other than the Directors or chief executive of the Company) held interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong) (references to Directors or chief executive in this paragraph include Supervisors):

Name of shareholder	**Number of 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	629,957,260 A Shares (long position) (Note a)	Interest of a controlled corporation	47.25% (Note b)
Conch Venture	917,956,306 A Shares (long position) (Note a)	Interest of a controlled corporation/ beneficial owner	68.85% (Note b)
UBS AG	21,584,580 H Shares (long position) (Note d)	Interest of a controlled corporation/ beneficial owner	4.98% (Note c)
UBS AG	25,636,557 H Shares (short position) (Note d)	Person having a security interest in shares/interest of a controlled corporation/ beneficial owner	5.92% (Note c)
JPMorgan Chase & Co.	95,475,990 H Shares (long position) (Note e)	Beneficial owner/ Investment manager/ Custodian	22.04% (Note c)
JPMorgan Chase & Co.	1,421,538 H Shares (short position)	Beneficial owner	0.33% (Note c)

Changes in Share Capital and Shareholders

Name of shareholder	Number of shares held	Capacity	Percentage of shareholding of the relevant class of shares
Morgan Stanley	50,392,080 H Shares (long position) (Note f)	Interest of a controlled corporation	11.63% (Note c)
Morgan Stanley	16,226,617 H Shares (short position) (Note f)	Interest of a controlled corporation	3.75% (Note c)
The Capital Group Companies, Inc.	39,166,800 H Shares (long position) (Note g)	Investment manager	9.04% (Note c)
State Street Corporation	21,876,144 H Shares (long position) (Note h)	Custodian	5.05% (Note c)
Taiwan Cement Corporation	38,856,000 H Shares (long position) (Note i)	Interest of a controlled corporation	8.97% (Note c)
Genesis Asset Managers, LLP	24,548,245 H Shares (long position)	Investment manager	5.67% (Note c)
FIL Limited	21,658,000 H Shares (long position)	Investment manager	5.00% (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 RMB408 million is attributable to Anhui Provincial Investment Group Limited ("Anhui Provincial Investment Group") (representing 51% of the equity interests in Conch Holdings); and RMB392 million is attributable to Conch Venture (representing 49% of the equity interests in Conch Holdings). Pursuant to the SFO, both Anhui Provincial Investment Group and Conch Venture were deemed to have interests in the entire number of 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.

Changes in Share Capital and Shareholders

(d) According to the disclosure of interests form submitted by UBS AG on 5 January 2009 (the date of relevant event being 31 December 2008), these shares were held through certain subsidiaries of UBS AG. The 21,584,580 H Shares (long position) were held as to 15,410,023 shares in the capacity of beneficial owner; 6,174,557 shares in the capacity of interest of a controlled corporation. The 25,636,557 H Shares (short position) were held as to 14,649,000 shares in the capacity of beneficial owner; 5,184,000 shares in the capacity of a person having a security interest in shares; and 5,803,557 shares in the capacity of interest of a controlled corporation.

(e) According to the disclosure of interests form submitted by JPMorgan Chase & Co. on 31 December 2008, these shares were held through certain subsidiaries of JPMorgan Chase & Co. The 95,475,990 H Shares (long position) were held as to 2,851,338 shares in the capacity of beneficial owner; 57,096,000 shares in the capacity of investment manager; and 35,528,652 shares (securities in a lending pool) in the capacity of custodian.

(f) According to the disclosure of interests form submitted by Morgan Stanley on 2 January 2009 (the date of relevant event being 30 December 2008), these shares were held through certain subsidiaries of Morgan Stanley.

(g) According to the disclosure of interests form submitted by The Capital Group Companies, Inc. on 24 December 2008, these shares were held through certain subsidiaries of The Capital Group Companies, Inc.

(h) According to the disclosure of interests form submitted by State Street Corporation on 19 December 2008, these shares were held through certain subsidiaries of State Street Corporation.

(i) According to the disclosure of interests form submitted by Taiwan Cement Corporation on 12 December 2008, these shares were held through certain subsidiaries of Taiwan Cement Corporation.

Save for the aforesaid shareholders, as at 31 December 2008, the Company was not aware of any interests and short positions as recorded in the register required to be kept pursuant to section 336 of the SFO.

3 Information on the controlling shareholder of the Company

Name in English:	Anhui Conch Holdings Co., Ltd.
Legal representative:	Guo Wensan
Date of establishment:	8 November 1996
Registered capital:	RMB800 million
Principal business activities:	Asset operation, investment, financing, property transactions, construction materials, chemical and industrial products, transportation and warehousing, construction project, development and technical services of technical products, imports and exports trading, etc.

During the Reporting Period, there was no change in the controlling shareholder of the Company.

Changes in Share Capital and Shareholders

4 Information on the shareholding and controlling relationship between the Company and its controlling shareholders' controlling shareholders

Anhui Provincial Investment Group is a state-owned company solely owned by State-owned Assets Supervision and Administration Commission of Anhui Province ("Anhui SASAC"), and accordingly, Anhui SASAC is the de facto controller of the Company. As at 31 December 2008, the shareholding relationship structure between the Company and Conch Holdings, Anhui Provincial Investment Group and Anhui SASAC was set out as follows:

5 Other corporate shareholders who own more than 10% of the share capital

Name in English:	Anhui Conch Venture Investment Co., Ltd.
Legal representative:	Wang Jun
Date of establishment:	5 November 2002
Registered capital:	RMB380,528,600
Principal business activities:	Investment in sectors including construction materials, chemical materials for construction, new materials, chemical and industrial products, metal, non-metal and advisory services; operation and sale of various construction materials, electronic, metal, non-metal products; operation of large-scale meetings, shopping malls, fitness and leisure entertainment, restaurants and guest rooms; and provision of related ancillary services.

Changes in Share Capital and Shareholders

6 Public float

As at the date of this report, based on publicly available information and to the knowledge of the Directors, the Company maintained the prescribed public float under the Listing Rules of the Stock Exchange.

(6) PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2008, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities of the Company.

(7) PRE-EMPTIVE RIGHTS

Pursuant to the Articles and the laws of the PRC, the Company is not required to offer to its existing shareholders the pre-emptive rights to acquire new shares in proportion to their shareholdings.

(8) TRANSACTIONS IN RESPECT OF ITS OWN SECURITIES

As at 31 December 2008, the Group had neither issued nor granted any convertible securities, options, warrants or other similar rights. As at 31 December 2008, the Group had no redeemable securities.

(9) TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

For the year ended 31 December 2008, holders of the Company's securities were not entitled to any tax relief and exemptions by virtue of their holdings of such securities under their legal status of the PRC.

Directors, Supervisors, Senior Management and Staff

(1) BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Sex	Age	Tenure
Guo Wensan	Chairman	Male	54	1 June 2007 – 31 May 2010
Kang Woon	Independent non-executive Director	Male	46	1 June 2007 – 31 May 2010
Ding Meicai	Independent non-executive Director	Male	67	1 June 2007 – 31 May 2010
Chan Yuk Tong	Independent non-executive Director	Male	46	1 June 2007 – 31 May 2010
Guo Jingbin	Executive Director	Male	51	1 June 2007 – 31 May 2010
Ren Yong	Executive Director and general manager	Male	46	1 June 2007 – 31 May 2010
Yu Biao	Executive Director	Male	55	1 June 2007 – 31 May 2010
Li Shunan	Executive Director	Male	51	1 June 2007 – 31 May 2010
Wang Jun	Chairman of Supervisory Committee	Male	52	1 June 2007 – 31 May 2010
Wang Yanmou	Supervisor	Male	77	1 June 2007 – 31 May 2010
Ding Feng	Staff representative Supervisor	Male	37	18 April 2008 – 31 May 2010
Qi Shengli	Deputy general manager	Male	44	12 April 2007 – 11 April 2010
Wang Pengfei	Deputy general manager	Male	47	12 April 2007 – 11 April 2010
He Chengfa	Deputy general manager	Male	43	12 April 2007 – 11 April 2010
Wang Jianchao	Deputy general manager	Male	45	12 April 2007 – 11 April 2010
Zhang Mingjing	Deputy general manager and secretary to the Board	Female	47	12 April 2007 – 11 April 2010
Wu Bin	Assistant general manager	Male	44	27 March 2008 – 11 April 2010
Chiu Pak Yue, Leo	Company secretary (Hong Kong)	Male	45	12 April 2007 – 11 April 2010

During the Reporting Period, due to improper management of his personal securities account, the family member of Mr. Wang Jianchao, deputy general manager of the Company, has traded A Shares of the Company through Mr. Wang's securities account. On 12 February 2009, Mr. Wang reported to the Company in writing in respect of the aforementioned trading of shares. At the beginning and at the end of the Reporting Period, the number of A Shares held by Mr. Wang was nil and 88,123 shares respectively and the overall result from such trading of shares was negative. Pursuant to the requirements of the Rules on the Management of Shares Held by the Directors, Supervisors and Senior Management Officers of Listed Companies and the Changes Thereof (Zheng Jian Gong Si Zi [2007] No.56), the Company has made a notification through the SSE website.

Save as above, none of the above Directors, Supervisors and members of the senior management held or traded any securities of the Company during the Reporting Period.

Directors, Supervisors, Senior Management and Staff

Particulars of Directors, Supervisors and members of the senior management who held positions in Conch Holdings, the controlling shareholder of the Company and other entities (other than the subsidiaries of the Company), are set out as follows:

Name	**Position held in Conch Holdings and tenure**	**Any remuneration and allowances received from Conch Holdings**	**Position held in other companies and tenure**	**Any remuneration and allowances received from those companies**
Guo Wensan	Chairman and general manager (from January 1997 to present)	Yes	–	–
Li Shunan	Vice Chairman and deputy general manager (from January 1997 to present)	Yes	1) Chairman of Conch International (from December 2005 to present) 2) Director of Conch Profiles (from May 2000 to October 2005) 3) Chairman of Conch Profiles (from October 2005 to April 2008) 4) Director of Conch Building Materials (from August 1996 to present)	No
Guo Jingbin	Director and deputy general manager (from January 1997 to present)	Yes	1) Director of Conch Building Materials (from August 1996 to present) 2) Director of Wuhu Conch International Grand Hotel Co., Ltd. ("Conch Hotel") (from November 2005 to present)	No
Ren Yong	Director (from December 2003 to present)	No	–	–
Yu Biao	Director and deputy general manager (from December 1998 to present)	Yes	1) Director of Conch Profiles (from May 2000 to present) 2) Director of Conch Building Materials (from October 2007 to present) 3) Director of Wuhu Haichuang Industrial Co., Ltd. ("Haichuang Industrial") (from September 2006 to present)	No

Directors, Supervisors, Senior Management and Staff

Name	Position held in Conch Holdings and tenure	Any remuneration and allowances received from Conch Holdings	Position held in other companies and tenure	Any remuneration and allowances received from those companies
Wang Jun	Disciplinary Committee Secretary (from January 1997 to present) Deputy Party Secretary (from July 2002 to present)	Yes	1) Chairman of Conch Building Materials (from March 2004 to present) 2) Director of Conch International (from December 2005 to present) 3) Chairman of Haichuang Industrial (from September 2006 to present) 4) Chairman of Jiangdu Haichang Port Industrial Co., Ltd. (from September 2006 to present) 5) Chairman of Wuhu Sanshan Conch Port Co., Ltd. (from September 2006 to present) 6) Chairman of Conch Venture (from August 2006 to present) 7) Chairman of Anhui Chaodong Cement Holdings Co., Ltd. (from May 2007 to present) 8) Director of Conch Hotel (from November 2005 to present)	No
Qi Shengli	–	–	1) Chairman of supervisory committee of Conch Profiles (from September 2007 to present) 2) Chairman of supervisory committee of Conch International (from December 2005 to present)	No
He Chengfa	–	–	1) Chairman of Conch Kawasaki Engineering (from December 2006 to present) 2) Director of Conch Kawasaki Equipment (from November 2006 to present)	No

Directors, Supervisors, Senior Management and Staff

Biography of Directors, Supervisors and senior management

Executive Directors

Mr. Guo Wensan, Chairman of the Company, senior engineer. Mr. Guo graduated from Shanghai Tongji University. He joined the Group in 1980 and has almost 30 years of experience in corporate management and is an experienced cement manufacturing technology expert in the PRC. Mr. Guo has received the second prize for the "National Science and Technology Progress Award" (國家科學技術進步獎二等獎) from the State Council of the PRC for key new dry-processed cement production technology and equipment development and engineering application project. Mr. Guo has received honours such as the "First of May" (「五一」) Labour Medal and the national construction materials exemplary award. He received the "gold award for contributions" (「貢獻獎」金質獎章) from the People's Government of Anhui Province. Mr. Guo was a representative of the 16th Congress of the Communist Party of China and the 11th National People's Congress of China. Mr. Guo is also the vice president of China Building Materials Federation and an expert of the expert committee of China International Engineering Consulting Corporation.

Mr. Guo Jingbin, executive Director of the Company, engineer. Mr. Guo graduated from Shanghai Construction Materials College and joined the Group in 1980. Mr. Guo has held various mid to senior managerial positions of the Company. He has extensive experience in capital markets.

Mr. Ren Yong, executive Director and general manager of the Company, engineer. Mr. Ren graduated from Shanghai Construction Materials College and participated in the former professional training program in MBA organized by the State Economic and Trade Organization and the professional training program in MBA of the Business School of Stockholm University, Sweden. Mr. Ren joined the Group in 1982 and has held various leading positions such as deputy plant director of Anhui Ningguo Cement Plant ("Ningguo Cement Plant"), deputy general manager of Tongling Conch and officer-in-charge of the sales division of the Company. He has extensive experience in the management of cement engineering technology, production unit operations and market operations.

Mr. Yu Biao, executive Director of the Company, senior engineer. Mr. Yu graduated from Anhui Construction Materials College and joined the Group in 1980. Mr. Yu has held various mid to senior managerial positions of the Company. He has in-depth knowledge in the engineering technology of cement and extensive experience in the management of engineering projects. He was appointed as a member of the Cement Subdivision of the Technology and Education Committee of the former State Administration for Construction Materials. Mr. Yu is also the vice chairman of China Cement Association.

Mr. Li Shunan, executive Director of the Company, senior engineer. Mr. Li graduated from Anhui Construction Materials College and joined the Group in 1980. Mr. Li has held various managerial positions of Ningguo Cement Plant and the Company. He is very experienced in the engineering technology and production management in the cement industry.

Directors, Supervisors, Senior Management and Staff

Independent Non-executive Directors

Mr. Kang Woon, independent non-executive Director of the Company. Mr. Kang holds a doctoral degree in law awarded by the University of Texas at Austin, USA. Mr. Kang is a registered lawyer of the High Court of the New York State of the USA. He is also a member of the Law Society of England and Wales. Mr. Kang was appointed as an independent non-executive Director of the first and second sessions of the Board and a Supervisor of the third session of the Supervisory Committee of the Company. Mr. Kang is also an independent non-executive director of China Yurun Food Group Ltd. (a company listed on the Stock Exchange).

Mr. Chan Yuk Tong, independent non-executive Director of the Company, is a fellow member (FCPA) of Hong Kong Institute of Certified Public Accountants and a member (CPA) of CPA Australia. Mr. Chan graduated from the University of Newcastle in Australia with a bachelor's degree in commerce and also obtained a master's degree in business administration from the Chinese University of Hong Kong. Mr. Chan was appointed as an independent non-executive Director of the third session of the Board and had worked for the Hong Kong G2000 Group, Tak Sing Alliance Holdings Limited, China Pipe Group Limited (formerly known as World Trade Bun Kee Limited), and Ernst & Young, and has over 20 years of experience in finance management. Mr. Chan is currently also a director of eight companies listed on the Stock Exchange, namely, Vitop Bioenergy Holdings Limited, Daisho Microline Holdings Limited, Kam Hing International Holdings Limited, Sichuan Xinhua Winshare Chainstore Co., Ltd., Global Sweeteners Holdings Ltd., Asia Cassava Resources Holdings Limited, Jia Sheng Holdings Limited and BYD Electronic (International) Company Limited and a director of the private companies in Hong Kong, including Cachet Certified Public Accountants Limited.

Mr. Ding Meicai, independent non-executive Director of the Company. Mr. Ding graduated from Anhui Agricultural University. Mr. Ding is a PRC Certified Public Accountant (non-practising), a PRC registered asset appraiser (non-practising) and a senior economist. He is currently chairman of Anhui Province Budget and Accounting Research Institute (安徽省預算與會計研究會會長), an honorable chairman of Anhui Province Engineering Cost Association, and a part-time professor of Anhui University of Finance and Economics. Mr. Ding was the Chief Director of the State-owned Assets Administration Bureau of Anhui Province, deputy director of the Finance Office of Anhui Province, chairman of each of the Anhui Institute of Certified Public Accountants and the Anhui Institute of Certified Asset Appraisers.

Supervisors

Mr. Wang Jun, chairman of the Supervisory Committee of the Company, senior engineer. Mr. Wang graduated from Anhui University and joined the Group in 1982. Mr. Wang has held various positions such as director of quantitative automation department and personnel department and party secretary of Ningguo Cement Plant.

Mr. Wang Yanmou, Supervisor of the Company. Mr. Wang graduated from China Dongnan University in 1956 and obtained an associate doctor's degree in the former Soviet Union in 1962. Mr. Wang was the president of China Building Material Academy, director of the State Construction Material Industry Bureau and China Silicates Institute, as well as the delegate of the Eighth CNPCC. Since 1997, he has been a consultant of the expert

Directors, Supervisors, Senior Management and Staff

committee of China International Engineering Consulting Corporation. He is a special consultant of China Investment Association and the senior consultant of China Cement Association. Mr. Wang was appointed as an independent non-executive Director of the first and second sessions of the Board, a Supervisor of the third session of the Supervisory Committee and an independent non-executive director of Conch Profiles. Currently, he is an independent non-executive director of China Shanshui Cement Group Ltd. and Zhejiang Glass Co., Ltd. (both of which are companies listed on the Stock Exchange).

Mr. Ding Feng, staff representative Supervisor of the Company, intermediate accountant. Mr. Ding graduated from Tongling College and joined the Group in 1994. He was the vice chairman of finance department of Tongling Conch, finance director of Zongyang Conch and vice chairman of finance department of the Company. He has extensive experience in finance management and corporate management. Mr. Ding is currently the general manager of each of Guiding Conch Panjiang Cement Co., Ltd. ("Guiding Conch"), Guiyang Conch Panjiang Cement Co., Ltd. ("Guiyang Conch") and Zunyi Conch Panjiang Cement Co., Ltd. ("Zunyi Conch").

Senior Management

Mr. Qi Shengli, deputy general manager of the Company, economist. Mr. Qi graduated from Wuhan Industrial University and joined the Group in 1989. He has held various positions such as deputy director of personnel department of Ningguo Cement Plant and director of personnel department of the Company. Mr. Qi is now the chairman of each of Chizhou Conch, Zongyang Conch, Huaining Conch and Xuancheng Conch.

Mr. Wang Pengfei, deputy general manager of the Company. Mr. Wang graduated from the State Construction Materials Technical School and joined the Group in 1984. He has held various positions such as deputy plant director of Ningguo Cement Plant, chairman of each of Zongyang Conch and Huaining Conch. He is currently the chairman of each of Digang Conch, Wuhu Conch, Shuangfeng Conch, Shimen Conch, Hunan Conch, Fusui Conch, Xing'an Conch, Beiliu Conch and Xingye Conch, and supervisor of the Regional Committee in Hunan.

Mr. He Chengfa, deputy general manager of the Company, engineer. Mr. He graduated from Wuhan Polytechnic University and joined the Group in 1990. He has held various positions such as deputy chief mechanical engineer of Ningguo Cement Plant and director of equipment department of the Company. Mr. He is currently the chairman of Conch M&E.

Mr. Wang Jianchao, deputy general manager of the Company, assistant economist. Mr. Wang graduated from Huangshan University and joined the Group in 1982. He has held various positions such as deputy director of the import and export department of Conch Holdings, director of the international business department and supplies department of the Company. Mr. Wang is now the chairman of each of Shanghai Conch Cement Co., Ltd., Anhui Ningchang Plastic Package Co., Ltd. and Wuhu Conch Plastic Products Co., Ltd.

Directors, Supervisors, Senior Management and Staff

Ms. Zhang Mingjing, deputy general manager of the Company. Ms. Zhang graduated from Anhui Normal University and joined the Group in 1987. She has held various positions such as director of external economic co-operation department and deputy director of development department of Ningguo Cement Plant, and secretary to the Board of the Company. She is currently the chairman of Shanghai Conch Mingzhu Cement Co., Ltd., chairman of Taicang Conch Cement Co., Ltd., general manager of Shanghai Conch Cement Sales Co., Ltd. and supervisor of the Regional Committee in Shanghai.

Mr. Wu Bin, assistant general manager of the Company. Mr. Wu graduated from Anhui Construction Engineering School, and joined the Group in 1981. Mr. Wu has held various leading positions of deputy director of sales department and deputy plant director of the packing and transportation sub-plant of Baimashan Cement Plant, deputy director and director of sales department of the Company. Mr. Wu is experienced in sales– and management-related works, and is currently the supervisor of the Regional Committee in Guangxi.

Secretariat to the Board (Company Secretary)

Ms. Zhang Mingjing, Please refer to the biography of “Senior Management.”

Mr. Chiu Pak Yue, Leo, Hong Kong practising solicitor. He graduated from the University of Hong Kong. He is a partner of Chiu & Partners, Solicitors and is a member of the securities laws committee of the Law Society of Hong Kong. Mr. Chiu has handled a variety of financial and commercial legal matters in Hong Kong and for multinational companies, including listing, merger and acquisitions, privatization, issue of European bonds and derivatives and corporate restructuring.

(2) APPOINTMENT OR RETIREMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

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

On 27 March 2008, Mr. Guan Dali was approved to act as the staff representative Supervisor, and the resignation of Mr. Ding Junting from the position of staff representative Supervisor was approved in the third meeting of the fourth session of the Supervisory Committee. Mr. Guan Dali resigned from the position of the staff representative Supervisor on 18 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.

Directors, Supervisors, Senior Management and Staff

(3) SERVICE CONTRACTS AND INTERESTS IN CONTRACTS OF DIRECTORS AND SUPERVISORS

For details of the term of service contracts entered into between the Company and the respective executive Directors and Supervisors, please refer to the above section headed "(1) Basic information of Directors, Supervisors and senior management".

None of the Directors or Supervisors had any material interests, either directly or indirectly, in any contract entered into by the Company or its subsidiaries subsisting during or at the end of the Reporting Period.

During the Reporting Period, none of the Directors and/or Supervisors has entered into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

(4) INTERESTS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVE AND SENIOR MANAGEMENT IN SHARE CAPITAL

During the Reporting Period, save as the deputy general manager of the Company Mr. Wang Jianchao, none of the Directors, Supervisors, chief executive and senior management of the Company and their respective spouses and children under the age of 18 has any interests and short positions in shares, underlying shares, debentures in the Company or its associated corporation (within the meaning of Part XV of the SFO), nor had they been granted any rights to subscribe for or exercise the above rights. These interests or short positions shall be recorded in the register required to be kept and prepared by the Company under 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 Companies under Appendix 10 to the Listing Rules of the Stock Exchange. For details of the shares held by Mr. Wang Jianchao in the Company, please refer to the paragraph headed "(1) Basic Information of Directors, Supervisors and Senior Management".

Directors, Supervisors, Senior Management and Staff

(5) REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT FOR THE YEAR

1. Remuneration received by Directors and Supervisors from the Company for the year:

Please refer to the section headed "Remuneration received by senior management from the Company for the year" for details of the remuneration received by Mr. Ren Yong, an executive Director and the general manager of the Company for the year. Mr. Ding Feng, the staff representative Supervisor received remuneration from the Company, his remuneration for year 2008 was set out below:

(Unit: RMB)

Name	Position	Basic salary and allowances	Bonus	Pension	Total
Ding Feng	Staff representative Supervisor	102,345	270,167	12,038	384,550

During the Reporting Period, Mr. Guo Wensan, the chairman of the Company, Mr. Yu Biao, Mr. Li Shunan and Mr. Guo Jingbin, executive Directors and Mr. Wang Jun, the chairman of the Supervisory Committee, did not receive any remuneration from the Company, and will not request the Company for payment of remuneration for the Reporting Period.

Directors, Supervisors, Senior Management and Staff

2. **During the Reporting Period, Mr. Kang Woon and Mr. Chan Yuk Tong, independent non-executive Directors, and Mr. Wang Yanmou, external Supervisor, did not receive any remuneration from the Company, and will not request the Company for payment of remuneration for the Reporting Period. The relevant allowances for the Reporting Period paid by the Company to them were set out as follows:**

Name	**Position**	**Allowances (RMB)**
Kang Woon	Independent non-executive Director	50,000
Chan Yuk Tong	Independent non-executive Director	100,000
Wang Yanmou	Supervisor	30,000
	Total	180,000

Note: During the Reporting Period, Mr. Ding Meicai, independent non-executive Director of the Company did not receive any remuneration and allowances from the Company and will not request the Company for payment of remuneration for the Reporting Period.

3. **Remuneration received by senior management from the Company for the year**

Name	**Position**	**Total remuneration for the year (RMB)**
Ren Yong	Executive Director and general manager	672,559
Qi Shengli	Deputy general manager	1,176,469
Wang Pengfei	Deputy general manager	1,170,014
He Chengfa	Deputy general manager	1,174,749
Wang Jianchao	Deputy general manager	961,532
Zhang Mingjing	Deputy general manager and secretary to the Board	971,077
Wu Bin	Assistant general manager	760,661
	Total	6,887,061

Notes:

1. The above-mentioned annual remunerations inclusive of pension, medical and unemployment insurances, were amounts before taxation.

2. Pursuant to the relevant requirements of State-owned Assets Supervision and Administration Commission of Anhui Province, as Mr. Ren Yong is also a director of Conch Holdings, his annual remuneration was pegged to the annual appraisal indicators of Conch Holdings.

Directors, Supervisors, Senior Management and Staff

4. Decision-making process and basis for determining remuneration

The Remuneration and Nomination Committee of the Board is responsible for determining the remuneration policy and proposals of executive Directors and senior management with reference to their terms of reference. The remuneration of executive Directors and internal Supervisors of the Company was determined and paid in accordance with the accomplishment of annual targets and works under their respective jurisdiction and the operating performance of the Company. The remuneration of senior management was determined and paid in accordance with the annual production and operation plan and financial budget as considered and approved by the Board, the accomplishment of day-to-day management tasks and the standard of monthly remuneration and annual remuneration multiple as considered and approved by the Board.

(6) HIGHEST PAID INDIVIDUALS

During the Reporting Period, the five highest paid individuals of the Group were members of senior management of the Company. Please refer to the paragraph headed "(5) Remuneration of Directors, Supervisors and senior management for the year" above and Note 9 to the financial statements prepared in accordance with IFRS in this annual report for details of their remuneration.

(7) EMPLOYEES

As at 31 December 2008, the Group employed 23,945 employees, of which 16,035 were production staff members, 822 were sales staff members, 3,258 were technical staff members, 434 were finance staff members, 319 were administrative and management staff members; 10,935 of them had secondary and higher education, of which 4,657 received tertiary education or above. The aggregate remuneration of the employees of the Group for the year amounted to RMB650.07 million. The Company was not required to bear expenses of resigned or retired staff.

(8) PENSION INSURANCE

Details of the pension insurance are set out in Note 6(b) to the financial statements prepared in accordance with IFRS. Pension booked in the income statement of the Group for the year ended 31 December 2008 amounted to RMB98.07 million.

(9) STAFF HOUSING

Pursuant to the relevant regulations of the PRC government, contributions based on a certain percentage of the employees' salaries shall be made by the Group to the housing welfare fund. Save for the above, the Group has no other responsibilities or any plan for provision of staff housing. For the year ended 31 December 2008, the total housing welfare fund paid by the Group amounted to approximately RMB32.79 million.

Report on Corporate Governance

(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 relevant domestic and overseas listing rules and regulatory requirements. General meetings, the Board and the Supervisory Committee have clearly defined terms of reference, each with its specific responsibilities. They are independent, efficient and transparent in decision-making and support and supervise each other, maintaining balances among them. The Board of the Company has established two specialized committees, the Audit Committee and the Remuneration and Nomination Committee which safeguard the scientific rationale and reasonableness of every decision of the Company and promote the efficient operation of our corporate governance, the quality of the Company's operations have thereby been improved.

During the Reporting Period, pursuant to the relevant requirements of the Notice on Campaign to Further Strengthen Corporate Governance of Enterprises in 2008 (《關於2008年進一步深入推進公司治理專項活動的通知》) (Shang Shi Bu Han [2008] No.116) issued by the Regulatory Department of Listed Companies of CSRC and the Notice on Matters Concerning Campaign to Further Strengthen Corporate Governance of Listed Companies in its Jurisdictions (《關於進一步做好轄區上市公司治理專項活動有關工作的通知》) (Wan Zheng Jian Fa Zi [2008] No.29) issued by Anhui Securities Regulatory Bureau, together with the requirements of the Notice on Campaign to Commence Self-Inspection and Self-Discipline on Misappropriation of Fund by Major Shareholders of Listed Companies and Other Irregularities (《關於開展上市公司大股東佔用資金等不規範行為自查自糾專項活動的通知》) (Wan Zheng Jian Han Zi [2008] No.175) issued by Anhui Securities Regulatory Bureau, the Company arranged key position personnel including all Directors, Supervisors, senior management and the staff members of finance department as well as the representatives of controlling shareholders to build up the spirit of the feature seminars on avoiding misappropriation of fund by major shareholders, the Opinion on Enhancing Quality of Listed Companies (《關於提高上市公司品質的意見》) and the Amendment VI to the Criminal Act (《刑法修正案六》). The Company has commenced self-inspection campaign on misappropriation of non-operating funds by major shareholders and it continued to strengthen corporate governance so as to further increase the corporate governance standard.

Report on Corporate Governance

(2) PERFORMANCE OF DUTIES BY INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the independent non-executive Directors have, in accordance with the requirements of the Articles, the Working Regulations for Independent Directors, the Terms of Reference of the Remuneration and Nomination Committee and the Terms of Reference of the Audit Committee, dutifully performed their duties by adhering to the principles of integrity and diligence; they attended the Board meetings and general meetings which were convened in 2008 in person, convened various specialized committee meetings, swiftly responded to the reporting on the production and operations, investment and financing activities for 2008 by the management of the Company, conducted on-site inspection of the production sites of the Company, and participated in the major decision making of the Company in order to safeguard the interests of the medium and small shareholders in accordance with the law.

After reviewing the cumulative and current external guarantees provided by the Company for the year ended 31 December 2008, the independent non-executive Directors formed the independent opinion set out below: the Company has been regulating its external guarantees and managing the risk of such guarantees by strictly complied with the relevant requirements under the Articles, the "Notice on Certain Issues relating to Regulating the Funding Transactions between Listed Companies and Related Parties and the External Guarantees Provided by Listed Companies" (Zheng Jian Fa [2003] No. 56) (《關於規範上市公司與關聯方資金往來及上市公司對外擔保的若干問題的通知》) and the "Notice on Regulations Governing the External Guarantees Provided by Listed Companies" (Zheng Jian Fa [2005] No. 120)《關於規範上市公司對外擔保行為的通知》promulgated by the CSRC. The decision-making procedure of the Company in providing external guarantees was in compliance with the requirements of relevant laws, regulations and rules and the Articles. The disclosure of information and the risk of providing external guarantees by the Company was sufficient and complete.

As all three independent non-executive Directors of the Company are members of the Audit Committee, please refer to paragraph headed "(5) Corporate Governance – 7. Audit Committee of the Board" for information concerning the work carried out by the independent non-executive Directors in the course of the preparation of this annual report.

Report on Corporate Governance

(3) INDEPENDENCE BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER IN RESPECT OF OPERATIONS, STAFF, ASSETS, ORGANISATION AND FINANCE

1. Operations

The Company has a production system, supplementary production system and ancillary facilities independent of the controlling shareholders. The Company owns directly or, obtains by means of agreement, the land use rights, mining rights and trademark licensing rights relating to its core operation of cement production.

2. Staff

The Company has an organizational structure, labor force, personnel and wages management system and production premises completely independent of its controlling shareholder, the senior management of the Company (including general manager, deputy general managers, secretary to the Board, chief financial officer and chief sales officer) are dedicated to the Company and receive their remuneration from the Company. They do not hold any executive office concurrently at the holding company.

3. Assets

The ownership rights of production assets of the Company are clearly delineated and are separate from those of the controlling shareholder. The Company has not pledged its assets, interests or goodwill as guarantee for the controlling shareholder or its subsidiaries. None of the Company's assets is occupied by the controlling shareholder without consideration. The Company is able to use its assets independently for its operating activities without any restriction.

4. Organization

The Company has an organizational structure completely independent of the controlling shareholder. The Board, managers and the operation management team of the Company are all independent of the controlling shareholder. There is no hierarchical relationship between the organization of the controlling shareholder and that of the Company.

Report on Corporate Governance

5. Finance

The Company has established its independent accounting and financial management systems. It has its own bank accounts and pays its taxes in accordance with the law. It makes its own financial decisions independently and the controlling shareholder does not interfere with the financial operation and appropriate fund of the Company. Financially, it is completely independent of the controlling shareholder.

(4) ESTABLISHMENT AND IMPLEMENTATION OF AN APPRAISAL AND INCENTIVE MECHANISM FOR SENIOR MANAGEMENT

The Company strengthens both the incentive for and regulation of senior management by implementing the annual remuneration system and the target and responsibility based appraisal. The Board entered into responsibility letters with members of senior management and members of operation team of its subsidiaries at the beginning of the year in respect of annual targets as shown by indicators of production and sales volume, sales revenue, costs, profit and management in order to examine the work and management status of members of senior management, finetune the management procedures and standardize the internal management, thereby promoting the standard of management. During the Reporting Period, members of the senior management have been awarded with their annual remuneration according to the level of accomplishment of target missions and annual evaluation results.

(5) CORPORATE GOVERNANCE

1. During the Reporting Period, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules of the Stock Exchange.

2. Securities transactions by Directors

The Company has adopted a code of practice regarding Directors' securities transactions on terms no less exacting than those prescribed in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules of the Stock Exchange. Having made specific enquiries by the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code and the Company's code of conduct in relation to securities transactions by Directors during the Reporting Period.

Report on Corporate Governance

3. The Board

Composition of the Board is as follows:

Name	Position
Guo Wensan	Chairman
Kang Woon	Independent non-executive Director
Chan Yuk Tong	Independent non-executive Director
Ding Meicai	Independent non-executive Director
Guo Jingbin	Executive Director
Ren Yong	Executive Director and general manager
Yu Biao	Executive Director
Li Shunan	Executive Director

There is no financial, business, family or other material relationship between members of the Board and between the Chairman and the chief executive officer.

During the Reporting Period, one meeting of the Board was held on-site. Furthermore, a total of 47 resolutions were passed by the Board by means of communication and written resolutions during the Reporting Period. The attendance and voting rates of the Directors were set out as follows:

Name	Attendance rate of on-site meeting	Voting rate of the resolutions proposed
Guo Wensan	100%	100%
Kang Woon	100%	100%
Chan Yuk Tong	100%	100%
Ding Meicai	100%	100%
Guo Jingbin	100%	100%
Ren Yong	100%	100%
Yu Biao	100%	100%
Li Shunan	100%	100%

During the Reporting Period, the Board performed its duties and exercised its powers pursuant to Chapters 11 and 11A of the Articles, and the management performed its duties and exercised its powers pursuant to Chapter 13 of the Articles. Please refer to the sections headed "Report of the Directors" of the annual report for details of the work of the Board, and headed "Management Discussion and Analysis" of the annual report for details of the work of the management.

Report on Corporate Governance

4. Chairman and Chief Executive Officer

The positions of Chairman and chief executive officer of the Company are filled by Mr. Guo Wensan and Mr. Ren Yong respectively.

The principal duties of the Chairman of the Board are: (a) to lead the Board and ensure that the Board operates effectively and perform its duties and discuss all significant matters on a timely and appropriate manner; (b) to ensure that all the Directors at the meetings of the Board are properly informed of the current affairs; and (c) to ensure that the Directors receive sufficient information, which are complete and reliable, on a timely basis.

The principal duties of the chief executive officer are: (a) to manage the daily production and operational management of the Group with the assistance of executive Directors and senior management; (b) to implement major strategies and development plans adopted by the Board, including the arrangement for implementing the board resolutions, the arrangement for implementing the annual operating plans and investment proposals of the Company; (c) to prepare the proposal on the establishment of internal management structure, fundamental management system and fundamental regulations of the Company; (d) to propose the engagement, dismissal or re-designation of deputy general managers or financial controller of the Company; (e) convene and chair the office meetings of the chief executive officer; and (f) to perform other duties and exercise other powers granted by the Articles and the Board.

5. Tenure of non-executive Directors and independence confirmation of independent non-executive Directors

For the tenure of non-executive Directors, please refer to the aforesaid paragraph headed "1. Basic Information of Directors, Supervisors and senior management" of the section headed "Directors, Supervisors, Senior Management and Staff".

The Company has received the confirmation letters from Mr. Kang Woon, Mr. Chan Yuk Tong and Mr. Ding Meicai, independent non-executive Directors, pursuant to Rule 3.13 of the Listing Rules of the Stock Exchange in respect of their independence for the year. The Company concurs with their independence.

6. Remuneration and nomination of Directors

Pursuant to the Listing Rules of the Stock Exchange, the Company has established the Remuneration and Nomination Committee under the Board, which is principally responsible for formulating the remuneration policy for the executive Directors of the Company, determining the remuneration proposal for each of the Directors as well as their succession plan. The Remuneration and Nomination Committee is a non-standing committee under the Board, which is accountable to the Board.

Report on Corporate Governance

The Remuneration and Nomination Committee regularly reviews the structure, number of members and composition of the Board and makes recommendations to the Board on any proposed changes or if necessary. The candidates of Directors are selected and recommended based on their working experience, professional expertise and commitment.

For details of the remuneration policy of the Directors and Supervisors, please refer to the sub-paragraph headed "4. Decision-making process and basis for determining remuneration" in paragraph (5) of the section headed "Directors, Supervisors, Senior Management and Staff".

On 27 March 2008, upon approval by the Board of the Company, Mr. Yu Biao and Mr. Guo Jingbin were appointed as additional members of the Remuneration and Nomination Committee of the Board. Members of the Remuneration and Nomination Committee of the fourth session of the Board of the Company comprised Mr. Kang Woon, Mr. Chan Yuk Tong, Mr. Ding Meicai, Mr. Yu Biao and Mr. Guo Jingbin, with Mr. Kang Woon acted as the chairman.

During the Reporting Period, the Remuneration and Nomination Committee held a meeting on 27 March 2008. All committee members attended the meeting, at which it considered and approved the following resolutions: (i) remuneration of the senior management of the Company for year 2007; (ii) remuneration proposal of the senior management of the Company for year 2008.

The Remuneration and Nomination Committee had reviewed the remunerations in respect of the Directors, Supervisors and members of senior management of the Company for year 2008 as disclosed and considered that their respective remunerations were in line with the relevant requirements of the remuneration policy of the Company and were consistent with the annual performance appraisal results.

7. Audit Committee of the Board

The Board has established the Audit Committee under the Board pursuant to the Listing Rules of the Stock Exchange to monitor the independence and work efficiency of external auditors, the financial reporting procedures and efficiency of internal control system, in order to assist the work of the Board. The Audit Committee is a non-standing organization under the Board and is accountable to the Board.

Report on Corporate Governance

The Audit Committee of the fourth session of the Board of the Company comprised Mr. Kang Woon, Mr. Chan Yuk Tong and Mr. Ding Meicai, with Mr. Kang Woon acted as the chairman.

During the Reporting Period, the Audit Committee held six meetings, which were attended by all of the committee members:

(1) On 14 January 2008, the Audit Committee discussed with the auditors of the Company, KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants (collectively referred to as "KPMG") by telephone, to determine the time table for the audit of the annual report for year 2007.

(2) On 17 January 2008, prior to the commencement of audit work by the auditors, the Audit Committee first reviewed the 2007 financial statements prepared by the Company and agreed to allow the auditors to conduct on-site audit for year 2007 in the Company.

(3) On 19 March 2008, upon issue of the preliminary auditors' report by the auditors, the 2007 financial statements have been further reviewed by the Audit Committee and the Audit Committee considered that the auditors had completed the audit conscientiously within the scheduled time frame.

(4) At the meeting on 24 March 2008, the Audit Committee considered and approved the following resolutions: (i) the financial statements for the year ended 31 December 2007 prepared in accordance with IFRS; (ii) the financial statements for the year ended 31 December 2007 prepared in accordance with PRC Accounting Standards; (iii) recommendation to the Board to re-appoint KPMG Huazhen Certified Public Accountants, and KPMG Certified Public Accountants as the PRC auditor and the international auditor of the Company respectively; and (iv) the connected transactions occurred in 2007.

(5) On 26 March 2008, the Audit Committee issued a summary report in respect of the audit work for the Company for year 2007 performed by KPMG and made objective assessment on the work conducted by KPMG: during the process of conducting the audit work for Conch for year 2007, KPMG was able to adhere strictly to the China's Auditing Standards for Certified Public Accountants and Hong Kong Standards on Auditing and other regulations in performing its audit work and was able to perform its audit functions well. Accordingly, it is proposed that KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants be re-appointed as the PRC auditor and the international auditor of the Company respectively.

Report on Corporate Governance

(6) On 14 August 2008, the Audit Committee considered and approved (i) the unaudited interim (half-yearly) financial report for year 2008 prepared in accordance with IFRS and PRC Accounting Standards respectively; (ii) the interim report for year 2008 and its summary and the interim results announcement.

Since the commencement of the audit of the financial statements of the Company for the year ended 31 December 2008, the Audit Committee has been participating in the whole process:

(1) Prior to the commencement of audit work by the auditors, the Audit Committee first reviewed the 2008 financial statements prepared by the Company and agreed to allow the auditors to conduct on-site audit. In the course of conducting audit of annual report, the Audit Committee requested KPMG to conscientiously complete the audit work on the financial statements according to the work plans.

(2) Following the issuance of preliminary auditors' report by the auditors, the Audit Committee reviewed again the 2008 financial statements and considered that the auditors had completed the audit work conscientiously within the scheduled time frame.

(3) On 25 March 2009, the Audit Committee issued a summary report in respect of the audit work for the Company for year 2008 performed by KPMG and made objective assessment on the work conducted by KPMG: during the process of conducting the audit work for Conch for year 2008, KPMG was able to adhere strictly to the China's Auditing Standards for Certified Public Accountants and Hong Kong Standards on Auditing and other regulations in performing its audit and was able to perform its audit functions well. Accordingly, it is proposed that KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants be re-appointed as the PRC auditor and the international auditor of the Company respectively.

The financial report and results announcement of the Company for year 2008 have been reviewed by the Audit Committee. The Directors agree and acknowledge their individual and joint responsibility for preparing the financial reports and accounts for this year.

8. Auditors and remuneration

Pursuant to the resolution considered and approved by the annual general meeting for 2007, the Company engaged KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants as the PRC auditor and the international auditor of the Company for the year ended 31 December 2008 respectively. The audit and other remuneration payable to KPMG by the Company for the year ended 31 December 2008 amounted to approximately RMB4.25 million. In addition, the Company was required to reimburse KPMG for lodging and travelling expenses incurred for on-site auditing. Since 2006, KPMG has been providing audit services to the Company for three consecutive years. For details of remunerations paid to the auditors for the year, please refer to Note 6 to the financial statements prepared in accordance with IFRS.

Report on Corporate Governance

KPMG was appointed as the auditor of the Company during the year ended 31 December 2006 and has provided audit services for the Company for three consecutive years. The endorsing accountant is not required to rotate in accordance with the Requirements on the Regular Rotation of the Endorsing Accountants for Securities and Futures Auditing Services (《關於證券期貨審計業務簽字註冊會計師定期輪換的規定》) of the CSRC and the Ministry of Finance of the PRC.

(6) ESTABLISHMENT AND SOUNDNESS OF INTERNAL CONTROL SYSTEM

Since the listing of the Company, pursuant to the requirements of the Company Law, the Articles, Appendix 14 to and other applicable rules of the Listing Rules of the Stock Exchange, and relevant laws and regulations and corresponding to the strategic targets of the Company, we have established a standardized legal person governing structure and a comprehensive supervision and control mechanism of the holding company and its subsidiaries. We have been establishing and improving the development of the internal control system at the Company, and its subsidiaries level and each of its business segments. We have also supervised and ensured the comprehensive application of and compliance with the principles and code provisions in Appendix 14 to the Listing Rules of the Stock Exchange. The audit office of the Company is responsible for monitoring and inspecting the establishment, improvement and implementation of the internal control system of the Group through regular or irregular special audit on the operating activities of the Group, to ensure the internal control system has been implemented effectively and the standard of risk management and the quality of operation of the Group have continued to improve. The Directors had conducted a review of the effectiveness of the systems of internal control of the Group for the Reporting Period, they were of the view that during the Reporting Period, all material controls of the Group, including financial, operational and compliance controls and risk management functions were effectively operated and implemented, details are set out as follows:

(1) In respect of financial management, the Company adopts a uniform set of accounting policies and financial management system, and implements a comprehensive budgetary management system so as to execute the financial functions in operational management. The Company has also adopted appointment system for financial officers in order to ensure financial independence. The Company implements a centralized capital management system, whereby all financings are reviewed and approved by the headquarters of the Company. Financing channels are centrally arranged by the finance department in order to control financial risks.

(2) In respect of material supply and management, the Company has established a mature resources procurement management process and decision-making system. The Company has implemented a public tender system for procurement to control the risk of procurement. Meanwhile, the Company organizes the centralized procurement of bulk fuel material such as coal, major auxiliary materials and mining equipment and accessories, in order to control procurement price. The Company monitors the material reserve and consumption quota of the subsidiaries; while the subsidiaries are responsible for material inspection and information feedback, the material procurement department is thereby supervised by achieving a two-way monitoring mechanism between procurement and consumption.

Report on Corporate Governance

(3) In respect of sales management, the Company has implemented the unified computerized management over sales and product delivery and a system of delivery upon payment to manage its capital risk. The Company has set up a relatively comprehensive sales management model to achieve centralized market management and regional pricing. The sales department has the right to adjust selling prices of the Company's products in each region to manage sales risk.

(4) In respect of management of investment projects, the Company strictly adheres to its investment management system. The headquarters of the Company is responsible for organizing and formulating medium– to long-term development strategies and plans. The Company conducts researches and studies on investment projects which shall be submitted to the investment management committee of the Company for review and to be proposed to the Board. The project would be implemented after obtaining the approval of the Board. This ensures safety of project investment and avoids investment risk effectively.

(5) In respect of human resources management, the Company formulates the human resources management system, staff recruitment procedures and employment management measures in accordance with the Labor Law of the PRC to regulate employment behavior and control employment risk. Moreover, the Company formulates individual training development programs based on the professional characteristics of staff members and implements an internal training and appraisal promotion mechanism, which has further strengthened the cohesion of the staff. All such measures serve to provide talents to secure the swift and sustainable development of the Company.

During the Reporting Period, in order to fully realize and thoroughly implement the document, namely, The Basic Standard for Enterprise Internal Control (hereafter as "Standard for Internal Control") jointly issued by five authorities including the Ministry of Finance and the CSRC and fully enhance the standard of internal control, the Company conducted feature presentations on the study of "Standard for Internal Control" and invited KPMG to give a brief introduction to the Directors, Supervisors, management members of senior and middle levels of the Company, which effectively strengthened the awareness of the management on internal control and risk management.

The Company also assigned professional management members from the finance department, supply department, audit unit and secretariat to the Board to participate in the feature seminars on the implementation of internal control of enterprises organized by the SSE. Those participating officers were further introduced to the rationale of the standard for internal control, and were provided with valuable advice and recommendations from the experts.

During the Reporting Period, the Company formulated practical and feasible internal control implementation plans. The Company has designated the secretariat to the Board and the finance department as the key leading departments, and reallocated various professional and key personnel to constitute the internal control implementation team. Pursuant to the internal control implementation plans, the Company first implemented the internal control assessment at the headquarters of the Company, the adoption of which will then be extended gradually to the entire Group.

The above preparation work has laid a sound foundation for the thorough implementation of the standard for internal control.

Summary of General Meetings

During the Reporting Period, the Company held one general meeting, i.e. the annual general meeting for year 2007, details of which were set out as follows:

On 2 June 2008, the annual general meeting for year 2007 of the Company was held in the conference room of the Company. Resolutions passed at the annual general meeting were published in Shanghai Securities Journal on 3 June 2008.


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Management Discussion and Analysis

BUSINESS ENVIRONMENT

In 2008, the economy of the PRC maintained a steady and relatively rapid growth. GDP for the year grew by 9.0%, the growth rate decreased by 2.4 percentage points over that of the previous year; the year-on-year nationwide increase in fixed assets investment was 25.5%, the growth rate increased by 0.7 percentage point over that of the previous year. During the second half of the year, in order to overcome the adverse impact of the global financial crisis, the central government made decisive adjustments to the macro-economic policies, it implemented proactive financial policies and less tightened monetary policies in an appropriate manner, and introduced a series of measures to expand domestic demand. The government also increased the investment in infrastructure development. The above measures ensure relatively rapid growth of the economy at a steady pace. *(Source: National Bureau of Statistics of China)*

In 2008, as a result of the global financial crisis, the economy of the PRC experienced a slowdown. Owing to the shrinking property market demand, the growth of cement market demand also fell gradually. The rising bulk raw materials and fuel prices including coal, electricity, oil and transportation, particularly the soaring integrated prices for coal has led to the significant increase in the costs of production and operating pressure for cement players.

In 2008, cement output of the PRC amounted to 1.388 billion tonnes, representing a year-on-year growth of 5.2% and a decrease of 4.48 percentage points as compared with growth rate over the same period last year. Of which the volume of production of the new dry processed cement amounted to 858 million tonnes and its proportion to the total cement production grew by 9.25 percentage points from 52.57% in 2007 to 61.82%. *(Source: Digital Cement)*

ANALYSIS OF OPERATION

Operations

In 2008, in adherence to the operating principle of creating value for shareholders, the Group made much effort to overcome the impact of severe temperature and snowstorms, rise of raw material and fuel prices and insufficient demand for cement. In addition, the Group meticulously organized procurement of the raw material and fuel, focused on internal production organization and operational management as well as saving of energy, reducing cost and enhancing efficiency. The Group also endeavored to expand the key construction projects and rural markets. The Group has maintained constant growth in production and sales. The net sales for the year achieved 100 million tonnes, which marked a milestone in our history.

During the Reporting Period, the Group's revenue from principal activities prepared in accordance with the PRC Accounting Standards amounted to RMB23,926,990,000, representing a year-on-year growth of 29.26%; net profit attributable to equity shareholders of the Company amounted to RMB2,607,010,000, representing a year-on-year growth of 4.52% and earnings per share was RMB1.55. Revenue prepared in accordance with IFRS amounted to RMB24,228,270,000, representing a year-on-year growth of 29.04%; net profit attributable to shareholders of the Company amounted to RMB2,607,220,000, representing a year-on-year growth of 5.12% and earnings per share was RMB1.55.

Management Discussion and Analysis

Production and project construction

During the Reporting Period, the Group produced a total of 81.68 million tonnes of clinker, representing a year-on-year increase of 16.90%, and 77.11 million tonnes of cement, representing a year-on-year increase of 20.30%.

In 2008, the Group continued to maintain a relatively high operating efficiency of its production facilities. Through implementation of 104 technology improvements of energy saving projects, we were able to reduce energy consumption. At the same time, the Group continued to accelerate the construction of the residual heat electricity generation projects; where 13 sets of residual heat electricity generation units of Xuancheng Conch and Wuhu Conch, etc., have gradually been put into operation upon completion of construction. As at the end of the Reporting Period, all of the Group's production lines in operation were installed with residual heat electricity generation units. There were a total of 24 residual heat electricity generation units, with an installed capacity of 403,000KW. During the Reporting Period, the parallel grid generated electricity reached 1.92 billion kwh. The above measures significantly reduced the Group's costs of production and effectively alleviated the pressure of rising energy prices.

In 2008, in response to the State's economic development strategy to strengthen the development of West China, the Group actively participated in the Sichuan post earthquake redevelopment. Based on thorough research and analysis on the cement markets in areas including Gansu, Chongqing, Sichuan and Guizhou, the Group identified the strategic investment distribution in western regions including Pingliang of Gansu; Zhongxian of Chongqing; Dazhou and Guangyuan of Sichuan; as well as Zunyi, Guiding and Guiyang of Guizhou. The project construction will be put forward according to the progress of approvals and construction procedures of the projects.

In 2008, the Group completed five clinker production lines with a daily production capacity of 5,000 tonnes for Chizhou Conch, Digang Conch, Yiyang Conch Cement Co., Ltd. ("Yiyang Conch") and Shimen Conch and one clinker production line with a daily production capacity of 2,500 tonnes for Fenyi Conch Cement Co., Ltd. ("Fenyi Conch"); 19 cement grinding projects for companies including Fusui Conch and Tongling Conch. The Group achieved production targets and the required standards as scheduled. The Group attained additional production capacity of clinker and cement amounted to 9.90 million tonnes and 14.95 million tonnes respectively. As of the end of 2008, the Group's production capacity for clinker and cement amounted to 85.86 million tonnes and 94.60 million tonnes respectively.

Market overview

In 2008, the market development for cement in different regions in the PRC were unbalanced and the conflicts within the industrial structure remained apparent. Taking into consideration the market changes and the market features of each region, the Group actively optimized its product structure and focused on developing key construction projects and expanding rural markets through capturing the opportunities arising from the development of Central China and new rural development. The results were proved to be promising.

In 2008, apart from strengthening the project development in West China, the Group established the Sichuan and Chongqing marketing department to satisfy the cement demand from post earthquake redevelopment.

Management Discussion and Analysis

With respect to exports, as a result of the global financial crisis and shrinking global market demand, the Group actively expanded new markets in Russia, Australia and Brazil in addition to consolidating the traditional markets in North America, Africa and the Middle East, with a view to acquire export orders. Exports for the year remained up to 12 million tonnes, bringing about a positive effect to balancing the market demand and supply relationship in the eastern regional markets.

During the Reporting Period, the aggregate sales volume of the Group's cement and clinker amounted to 102.06 million tonnes, a year-on-year increase of 17.96%.

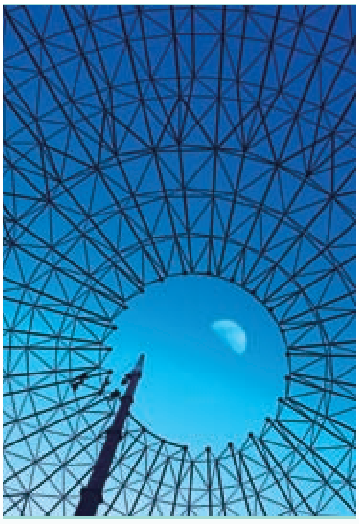
Regional sales volumes

	2008		2007			
Region	**Sales (RMB'000)**	**Percentage (%)**	Sales (RMB'000)	Percentage (%)	**Increase/ decrease in sales (%)**	**Change in sale proportion (percentage points)**
East China [Note1]	**10,406,404**	**43.50**	7,325,028	39.57	42.07	3.93
Central China [Note2]	**5,987,365**	**25.02**	4,636,892	25.05	29.12	(0.03)
South China [Note3]	**4,716,103**	**19.71**	3,626,334	19.59	30.05	0.12
West China [Note4]	**120,311**	**0.50**	–	–	–	–
Export	**2,696,808**	**11.27**	2,922,962	15.79	(7.74)	(4.52)
Total	**23,926,991**	**100**	18,511,216	100	29.26	–

Notes:

1. East China includes Jiangsu province, Zhejiang province, Fujian province and Shanghai city;
2. Central China includes Anhui province, Jiangxi province and Hunan province;
3. South China includes Guangdong province and Guangxi province;
4. West China includes Sichuan province and Chongqing city.

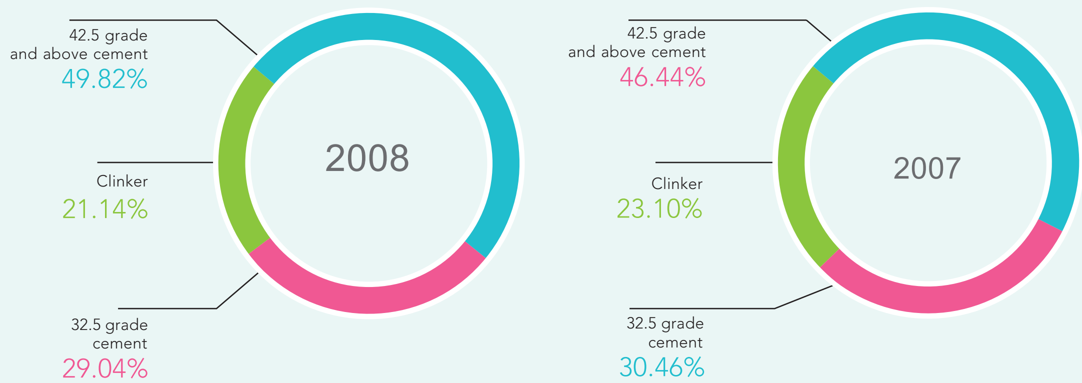
During the Reporting Period, due to increases in sales volume and the composite price, the sales amount of East China, South China and Central China grew by 42.07%, 30.05% and 29.12% respectively. However, export sales amount reduced by 7.74% over that of the previous year as a result of the impact from global financial crisis and the RMB appreciation during the Reporting Period.



Management Discussion and Analysis

During the Reporting Period, the Group adjusted its product structure and expanded its market share in key construction markets, resulting in a slight increase in the proportion of the sales amount of 42.5 grade cement.

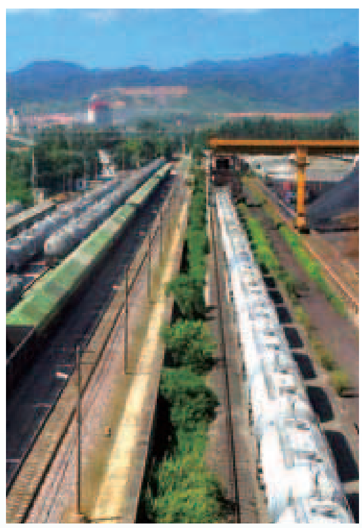
Percentage of sales by type of products



Profit Analysis

Major items in the income statement prepared in accordance with the PRC Accounting Standards

Item	Amount 2008 (RMB'000)	Amount 2007 (RMB'000)	Year-on-year change (%)
Revenue from principal activities	**23,926,991**	18,511,216	29.26
Profit from operations	**2,987,143**	3,170,584	(5.79)
Profit before income tax	**3,245,749**	3,484,988	(6.86)
Net profit attributable to equity shareholders of the Company	**2,607,012**	2,494,219	4.52
Net cash flows from operating activities	**5,266,375**	2,668,807	97.33



Management Discussion and Analysis

During the Reporting Period, the Group's revenue from principal activities amounted to RMB23,926,990,000, a year-on-year growth of 29.26%, primarily as a result of the increases in sales volume and composite price. However, owing to the soaring raw material and fuel prices including coal, the increase rate of production costs was greater than that of selling prices, resulting in the decline in profit from operations and profit before income tax of 5.79% and 6.86% respectively over those of the previous year.

2008 gross profit by type of products and year-on-year comparison

Product	Revenue from principal activities (RMB'000)	Cost of principal activities (RMB'000)	Gross profit margins (%) for the Reporting Period	Gross profit margins (%) for the same period last year	Year-on-year change of gross profit margins in percentage points
42.5 grade cement	**11,920,034**	**9,197,878**	**22.84**	**30.87**	**(8.03)**
32.5 grade cement	**6,948,773**	**4,703,039**	**32.32**	**36.20**	**(3.88)**
Clinker	**5,058,184**	**4,019,954**	**20.53**	**26.61**	**(6.08)**
Total	**23,926,991**	**17,920,871**	**25.10**	**31.51**	**(6.41)**

(Note: The above mentioned 42.5 grade cement includes cement of 42.5 grade and above)

In 2008, the Group's consolidated gross profit margin was 25.10%, a decrease of 6.41 percentage points over that of the previous year, among which the gross profit margin of clinker fell by 6.08 percentage points and the gross profit margin of 42.5 grade and 32.5 grade cement fell by 8.03 and 3.88 percentage points respectively. This was mainly attributable to the soaring raw material and fuel prices such as coal which resulted in substantial increase in the consolidated average costs of production. During the Reporting Period, the percentage of the Group's energy expenses to total costs was 70.68%, a year-on-year growth of 4.31 percentage points.

Changes in major expenses items prepared in accordance with the PRC Accounting Standards

Expenses for the period	2008 Amount (RMB'000)	2007 Amount (RMB'000)	As a percentage to revenue from principal activities (%) for the Reporting Period	As a percentage to revenue from principal activities (%) over the same period last year	Change in proportion to revenue from principal activities in percentage points
Selling expenses	**1,366,425**	1,219,228	5.71	6.49	(0.78)
Administrative expenses	**841,233**	720,757	3.52	3.84	(0.32)
Financial expenses (net)	**751,236**	607,127	3.14	3.23	(0.09)
Total	**2,958,894**	2,547,112	12.37	13.57	(1.20)

During the Reporting Period, the amount of the Group's selling expenses, administrative expenses and financial expenses have reduced of a varying magnitude due to effective cost control measures. The proportion of the aggregate amount of these three expenses to the revenue from principal activities fell by 1.2 percentage points.

Management Discussion and Analysis

FINANCIAL POSITION

Assets and Liabilities Structure

Changes in assets and liabilities prepared in accordance with the PRC Accounting Standards

Item	2008 (RMB'000)	2007 (RMB'000)	Change as at the end of the Reporting Period to those as at the beginning of the year (%)
Fixed assets	**22,435,101**	18,860,176	18.95
Current and other assets	**20,097,022**	12,180,433	64.99
Total assets	**42,532,123**	31,040,609	37.02
Accounts receivable	**446,539**	229,507	94.56
Accounts payable	**3,470,636**	1,930,815	79.75
Current liabilities	**11,174,234**	9,600,434	16.39
Non-current liabilities	**6,089,682**	9,892,411	(38.44)
Minority interests	**471,543**	468,159	0.72
Equity attributable to shareholders of the Company	**24,796,664**	11,079,605	123.80
Total liabilities and shareholders' equity	**42,532,123**	31,040,609	37.02

During the Reporting Period, the Company issued an additional 200,000,000 A Shares by way of public issue, which raised net proceeds of RMB11,282,060,000. This has significantly increased the asset size and shareholders' equity of the Group, thereby further optimizing the financial indicators.

As at 31 December 2008, the Group's total assets prepared in accordance with the PRC Accounting Standards amounted to RMB42,532,120,000, an increase of 37.02% over that of the previous year; total liabilities amounted to RMB17,263,920,000, a decrease of 11.43% over that of the previous year; equity attributable to shareholders of the Company was RMB24,796,660,000, an increase of 123.80% over that of the previous year.

As at 31 December 2008, the Group's current and other assets prepared in accordance with the PRC Accounting Standards grew by 64.99% from that of the last year to RMB20,097,020,000.

As at 31 December 2008, the accounts receivable of the Group prepared in accordance with the PRC Accounting Standards amounted to RMB446,540,000, an increase of 94.56% over last year. The increase in the accounts receivable was predominately attributable to the increase in key construction projects and the credit period of approximately 30 days for sales settlement. The accounts payable of the Group prepared in accordance with the PRC Accounting Standards amounted to RMB3,470,640,000, an increase of 79.75% over last year. The main reason of the increase was the rise in the using of endorsed bank acceptance bills to external parties; accounts payable included bank acceptance bills endorsed but not yet expired of RMB2,176,000,000.

Management Discussion and Analysis

As at 31 December 2008, the Group's total current assets prepared in accordance with the PRC Accounting Standards amounted to RMB13.533 billion and total current liabilities amounted to RMB11.174 billion, the current ratio was 1.21:1 (as at 31 December 2007: 0.73:1). The Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 40.59%, a decrease of 22.21 percentage points over that as at the end of the previous year.

As at 31 December 2008, the Group's total current assets and total current liabilities prepared in accordance with the IFRS amounted to RMB13,872,450,000 and RMB11,174,230,000 respectively with a net gearing ratio of 0.16 (as at 31 December 2007: 1.19).

Liquidity and sources of funds

Maturity analysis of the Group's bank and other loans as at 31 December 2008 was set out as follows:

	As at 31 December 2008 (RMB'000)	As at 31 December 2007 (RMB'000)
Due within 1 year	**4,795,176**	4,937,633
Due after 1 year but within 2 years	**2,609,000**	4,265,300
Due after 2 years but within 5 years	**2,624,000**	4,324,000
Due after 5 years	**800,455**	1,232,727
Total	**10,828,631**	14,759,660

As at 31 December 2008, both the long-term and short-term borrowings decreased as compared with the same period last year, primarily as a result of the repayment of part of the loans by using the proceeds raised from the public issue of A Shares which further optimized the liabilities structure.

The Group's loans due within 1 year mentioned above included discounted and unexpired bank acceptance bills of RMB478,380,000 and commercial acceptance bills of RMB400,000,000.

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

	2008 (RMB'000)	2007 (RMB'000)
Net cash flows from operating activities	**5,266,375**	2,668,807
Net cash flows from investing activities	**(6,360,020)**	(5,735,330)
Net cash flows from financing activities	**6,433,149**	3,142,997
Net Increase in cash and cash equivalents	**5,339,504**	76,474
Balance of cash and cash equivalents at the beginning of the year	**1,411,707**	1,335,233
Balance of cash and cash equivalents at the end of the year	**6,751,211**	1,411,707

Management Discussion and Analysis

During the Reporting Period, the net cash flows from operating activities amounted to RMB5,266,380,000, an increase of RMB2,597,570,000 from that of last year. The increase was mainly attributable to the Company's objectives to expand market share. Accordingly, the Group formulated marketing plans; actively achieved price-raising and production expansion strategies in consideration of features of each region. Revenue from principal activities thereby increased over the same period last year. Meanwhile, as the Group actively endorsed bank acceptance bills to external parties, cash outflows decreased leading to an increase of net cash flows.

Capital Expenditure

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB5.1 billion, which was primarily used in the investment in construction of cement and clinker production lines and the residual heat electricity generation projects.

As at 31 December 2008, capital commitments in respect of the purchase of machinery and equipment for production that were committed but have not been provided for in the accounts were set out as follows:

	As at 31 December 2008 (RMB'000)	As at 31 December 2007 (RMB'000)
Authorized and contracted for	**4,219,590**	2,877,795
Authorized but not contracted for	**7,685,571**	6,148,976
Total	**11,905,161**	9,026,771

Relevant items measured at fair value

In accordance with the relevant requirements of the PRC Accounting Standards, the Group has adopted the market price of assets at the end of the period (closing price at the year end) as its fair value to assess the value of available-for-sale equity securities held through acquisition from the secondary market. With respect to the available-for-sale equity securities with trading restrictions which were acquired through agreements, the Group has engaged practicing valuers to assess their values. As at the end of the Reporting Period, the fair value movement of the above assets was recognised in capital reserve (for details, please refer to notes 3(11) and 15 to the financial statement prepared in accordance with the PRC Accounting Standards). For details of the risk analysis on financial instruments, please refer to note 51 to the financial statements prepared in accordance with the PRC Accounting Standards. During the Reporting Period, there was no major change in the measurement of the major assets of the Group.

Management Discussion and Analysis

Item (1)	Amount as at the beginning of the period (RMB'000) (2)	Profit/loss arising from the fair value movement for the period (RMB'000) (3)	Accumulated fair value movement recognized in equity (RMB'000) (4)	Impairment recognized in profit or loss for the period (RMB'000) (5)	Amount as at the end of the period (RMB'000) (6)
Financial assets					
Of which:					
1. financial assets at fair value					
through profit or loss	–	–	–	–	–
Of which: Derivative financial assets	–	–	–	–	–
2. Available-for-sale equity securities	326,901	–	(241,102)	–	1,201,757
Financial assets sub-total	326,901	–	(241,102)	–	1,201,757

Financial assets and financial liabilities denominated in foreign currency

Item (1)	Amount as at the beginning of the period (RMB'000) (2)	Profit/loss arising from the fair value movement for the period (RMB'000) (3)	Accumulated fair value movement recognized in equity (RMB'000) (4)	Impairment recognized in profit or loss for the period (RMB'000) (5)	Amount as at the end of the period (RMB'000) (6)
Financial assets					
Of which:					
1. financial assets at fair value					
through profit or loss	–	–	–	–	–
Of which: Derivative financial assets	–	–	–	–	–
2. Loans and receivables	103,597	–	–	–	80,803
3. Available-for-sale equity securities	–	–	–	–	–
4. Investment held to maturity	–	–	–	–	–
Financial assets sub-total	103,597	–	–	–	80,803

Note: During the Reporting Period, assets denominated in foreign currency held by the Group were mainly USD-denominated assets which included receivables and bank deposits, of which bank deposits amount to RMB31.41 million (please refer to note 51(4) to the financial statement prepared in accordance with the PRC Accounting Standards for details). The foreign currency transactions occurred during the Reporting Period were translated at the rate of the date of transaction; and translated at the rate on the balance sheet date as at the end of the year. The exchange difference was recognized in the profit or loss for the period. (Please refer to note 3(2) to the financial statements prepared in accordance with the PRC Accounting Standards for details).

Management Discussion and Analysis

Outlook for 2009

In 2009, as the global financial crisis intensifies, the adverse impact on the economy will be more significant. The overseas and domestic economic conditions will be increasingly challenging and complicated. The global economic downturn is inevitable. In order to overcome the economic adversities, the PRC government will continue to implement proactive fiscal policies and less tightened monetary policies in an appropriate manner, as well as to strengthen and improve the macro austerity measures. An investment of RMB4,000 billion is expected to be injected in the investment in infrastructure development in the coming two years and in expanding domestic demand, so as to maintain a steady domestic economic operation. The GDP for 2009 is expected to maintain at a growth rate of approximately 8%. With the implementation of these measures, the demand for cement is expected to grow.

In 2009, the production scale of the cement industry will be further expanded. Accompanying the additional production capacity, market competition in certain regional markets will be increasingly fierce. It is expected that product price will fall to a certain extent followed by falling profitability in the industry. The Group will seize the opportunities arising from the increasing investment in infrastructure development encouraged by the State and will implement regional sales strategies based on difference in competitive strengths, market positioning and market environment of various regional markets. The Group aims at strengthening the control over the regional markets and further expanding its market share, ensuring optimization of its productivity.

In 2009, the demand for coal is expected to slow down, demand and supply condition will be further improved. The Group will seize favorable opportunities and adopt proactive measures to optimize coal procurement channel to enhance the quality of coal and to lower the consolidated procurement costs. At the same time, the Group will strengthen the coordination between the production units and increase the operating efficiency of the production facilities in order to optimize various economic and technical parametres, reduce costs of production, and enhance market competitiveness of the Company.

With respect to internal control, the Group will continue to consolidate the development of specialized management systems and to establish a sound internal control system correspondent to the size of the Group. The Group will also bring advancement to its specialized management procedures and structure in order to enhance managing and monitoring capabilities, and to improve the risk prevention ability of the Company. Meanwhile, the Group will continue to promote regional management and fully utilize the function of the Regional Committees, aiming at realizing the optimization of resources allocation in those regions, and strengthening its control over regional markets.

In 2009, the Group plans to arrange for a capital expenditure of approximately RMB8 billion, to be funded mainly by its internal fund, bank borrowings and part of the proceeds raised from issuing of A Shares. The fund will be applied to the construction of cement and clinker production lines and residual heat electricity generation projects. The Group will accelerate development of the projects in Pingliang of Gansu; Dazhou and Guangyuan of Sichuan; and Zhongxian of Chongqing. In addition, the Group will steadily speed up the construction of the cement and clinker production line projects with a daily production capacity of 5,000 tonnes in regions including Quanjiao of Anhui and Linxiang of Hunan; and the cement grinding station projects with an annual production capacity of 2 million tonnes in Liuan of Anhui and Ganjiang

Management Discussion and Analysis

of Jiangxi. Further, the Group will also actively carry out the preparation and construction work of the projects in Liquan and Qianyang of Shaanxi; and the related preparation work for the three clinker production lines with a daily production capacity of 12,000 tonnes in Anhui.

Currently, the majority of the ongoing construction projects of the Group are located in West China. It is expected that those projects will gradually commence production by late 2009 and early 2010. The prospects of these markets are promising and these projects are expected to bring significant enhancement to the efficiency of the Group upon their completion. It is expected that in year 2009, the clinker and cement production capacities will increase by 21.60 million tonnes and 25.30 million tonnes respectively, making the Company's advantage in production scale even more apparent.

Moreover, the Group will continue to emphasize the innovation and application of energy saving technology, and to accelerate the construction of residual heat electricity generation projects. The Group will also reinforce the daily management of residual heat electricity generation units, and increase their operating efficiency. In 2009, the Group plans to complete construction and put into operation 13 residual heat electricity generation units. Accordingly, the installed capacity of Group's residual heat electricity generation units will be increased by 198,000KW to 600,000KW with an annual electricity generation capacity of 4.56 billion kwh. This significantly reduces the costs of production, increases market competitiveness and operating efficiency of the Company. At the same time, it also brings about considerable social benefits. In terms of the same level of thermal electricity generation, it helps saving 1.73 million tonnes of standard raw coal and reducing 3.9 million tonnes of carbon dioxide emission.

In 2009, in spite of the pressure on the Company's operation and development brought about by a number of uncertainties in the macro economic environment, the management strongly believes that, there are opportunities in the crisis and hopes in the challenges. The Group will actively implement its growth plans and consolidate its operations, so as to reward its shareholders with sound results. In this regard, the management of the Company would like to take this opportunity to express sincere gratitude to our shareholders for their long-term support to the operations and development of the Company!

Report of the Directors

(1) PRINCIPAL ACTIVITIES

As the largest cement and clinker producer and distributor in the PRC, the Group has all along focused on the development of its core activities and has continued to improve its development of growth strategies and to increase its market share. The Group produces and sells various high quality cement, and produces commodity clinker required for production of high-grade cement, so as to cater for market needs. The "Conch" branded cement produced by the Company has been widely applied in the building of roads, bridges, housing and various landmark construction projects. The "Conch" brand has been honored as "Famous Trademark in China", and it has been rated as the first batch of 300 "Chosen Protected National Brandnames" in the PRC and has been ranked 23rd among the top 500 valuable trademarks in the PRC. *(Source: China Institute of Brandname Research)*

(2) PRINCIPAL INVESTMENTS DURING THE REPORTING PERIOD

1. Use of proceeds raised from public issue of shares and progress of investment projects

During the Reporting Period, gross proceeds raised from public issue of shares amounted to RMB11,476 million. Net proceeds after deducting issuing expenses amounted to RMB11,282.06 million. As at the end of the Reporting Period, progress of the investment projects ("Investment Projects") financed by the proceeds ("Proceeds") was set out as follows:

(Unit: RMB'000)

Item	Description of Project	Progress	Committed investment amount	Actual amount of fund used	Gain from project
1	2×4,500t/d cement and clinker project of Digang Conch	In operation	702,210	692,180	62,460
2	4×4,500t/d cement and clinker production lines project of Chizhou Conch	Two in operation Two under construction	1,530,180	867,520	68,080
3	2×4,500t/d cement and clinker production lines project of Yiyang Conch	One in operation One under construction	1,185,960	622,810	6,260
4	5,000t/d cement and clinker production line project of Shimen Conch	In operation	529,080	500,000	4,790
5	4,500t/d cement and clinker production line project of Fusui Conch	In operation	333,680	291,690	31,670
6	4,000t/d cement and clinker production line project (phase one) of Beiliu Conch	In operation	453,200	301,890	129,080
7	2×18MW residual heat electricity generation project of Wuhu Conch	In operation	262,730	175,490	83,610
8	The 1st set of residual heat electricity generation unit of 2×18MW residual heat electricity generation project of Xuancheng Conch	In operation	88,190	85,540	44,850

Report of the Directors

(Unit: RMB'000)

Item	Description of Project	Progress	Committed investment amount	Actual amount of fund used	Gain from project
9	2×18MW residual heat electricity generation project of Chizhou Conch	One in operation One under construction	262,770	89,320	17,810
10	18MW residual heat electricity generation project of Digang Conch	In operation	132,920	77,440	22,930
11	12MW residual heat electricity generation project of Baimashan Cement Plant of Anhui Conch Cement Co., Ltd.	In operation	93,540	56,340	38,050
12	18MW residual heat electricity generation project of Huaining Conch	In operation	131,650	120,600	70,680
13	16.3MW and 30.5MW residual heat electricity generation projects of Tongling Conch	In operation	371,460	335,820	239,700
14	11.6MW and 17MW residual heat electricity generation projects of Chizhou Conch	In operation	216,530	181,070	156,430
15	15MW and 18.5MW residual heat electricity generation projects of Zongyang Conch	In operation	275,060	268,310	167,060
16	18MW residual heat electricity generation project of Beiliu Conch	In operation	133,020	49,280	4,260
17	18MW residual heat electricity generation project of Fusui Conch	In operation	133,030	77,850	5,470
18	18MW residual heat electricity generation project of Xing'an Conch	In operation	133,040	55,300	5,330
19	18MW residual heat electricity generation project of Shuangfeng Conch	In operation	130,000	66,810	6,550
20	24MW residual heat electricity generation project of Zhongguo Cement Co., Ltd.	In operation	175,130	85,170	1,900
21	4,500t/d cement and clinker production line project of Shuangfeng Conch	Under construction	433,100	306,940	–
22	4,000t/d cement and clinker production line project of Hunan Conch	Under construction	406,000	284,550	–
23	4,000t/d cement and clinker production line project of Xing'an Conch	Under construction	378,360	203,640	–
24	4,500t/d cement and clinker production line project (phase two) of Beiliu Conch	Under construction	277,220	82,340	–
25	18MW residual heat electricity generation project of Shimen Conch	Under construction	130,000	59,730	–

Report of the Directors

(Unit: RMB'000)

Item	Description of Project	Progress	Committed investment amount	Actual amount of fund used	Gain from project
26	18MW residual heat electricity generation project of Zongyang Conch	Under construction	132,970	620	–
27	9.1MW residual heat electricity generation project of Hunan Conch	Under construction	65,000	33,320	–
28	The spare parts processing centre project of Conch M & E	In operation	330,000	118,430	4,180
29	The new dry-process method for urban waste treatment project of Tongling Conch	Under construction	154,340	3,770	–
30	The energy conservation technology upgrade project of the Company	Completed	38,445	15,500	34,170
31	The optimization of financial structure and repayment of bank loans project	Repaid	2,000,000	1,998,000	57,860
	Total		**11,618,815**	**8,107,270**	**1,263,180**

In response to the government's requirements on accelerating the construction of the disaster area, the Company contributed to the re-construction and development of the disaster area. As approved in the first extraordinary general meeting for 2009, the class meeting for holders of H Shares and the class meeting for holders of A Shares held on 17 February 2009, the Company changed the original plan in the Investment Projects of 2×18MW residual heat electricity generation project of Prosperity Conch and the second set of the 2×18MW residual heat electricity generation project of Xuancheng Conch. The above projects were no longer funded by the Proceeds and the Company has applied the relevant portion of the Proceeds and the balance of unused Proceeds in the total sum of RMB1,201.23 million in the following projects. The change in the use of the Proceeds has accelerated the development of the projects of western regions, and has enhanced the efficiency in utilization of the Company's fund. Details are set out as follows:

Report of the Directors

(Unit: RMB'000)

Item	Description of proposed investment projects	Progress of the project	Total investment of the project	Investment amount proposed to be funded by the Proceeds
1	Project of the cement and clinker production line (phase one) with a daily production capacity of 4,500 tonnes, 2.20 million tonnes cement grinding and 18MW residual heat electricity generation unit of Chongqing Conch Cement Co., Ltd. ("Chongqing Conch")	Under construction	903,700	300,000
2	Project of the cement and clinker production line (phase one) with a daily production capacity of 4,500 tonnes, 2.20 million tonnes cement grinding and 18MW residual heat electricity generation unit of Dazhou Conch Cement Co., Ltd. ("Dazhou Conch")	Under construction	787,850	300,000
3	Project of the cement and clinker production line (phase one) with a daily production capacity of 4,500 tonnes, 2.20 million tonnes cement grinding and 18MW residual heat electricity generation unit of Guangyuan Conch Cement Co., Ltd. ("Guangyuan Conch")	Under construction	716,170	300,000
4	Project of the cement and clinker production line (phase one) with a daily production capacity of 4,500 tonnes, 2.20 million tonnes cement grinding and 9MW residual heat electricity generation unit of Pingliang Conch Cement Co., Ltd. ("Pingliang Conch")	Under construction	767,250	300,000
	Sub-total	**–**	**3,174,970**	**1,200,000**
5	Repayment of bank loans	–	–	1,230
	Total	**–**	**3,174,970**	**1,201,230**

For details of the change in the use of part of the Proceeds and the use of the remaining Proceeds, please refer to the announcement published on the website of the Stock Exchange on 31 December 2008 and the relevant announcements published on Shanghai Securities Journal, the SSE website and the Company's website on 5 January 2009.

Report of the Directors

2. Major investments not applying the Proceeds during the Reporting Period

(Unit: RMB'000)

Item	Description of investment projects	Progress of the project	Capital used during the Reporting Period	Gain from project
1	Project of the clinker production line with a daily production capacity of 2,500 tonnes and 9MW residual heat electricity generation unit of Fenyi Conch	In operation (note)	254,470	4,420
2	3.20 million tonnes cement grinding project of Tongling Conch	In operation	63,500	24,070
3	3.20 million tonnes cement grinding project of Digang Conch	Partially in operation	81,050	320
4	Project of the 2x4,500 t/d clinker production lines (phase four) of Zongyang Conch	Under construction	225,150	–
5	Project of the 2x5,000 t/d clinker production lines (phase one), 18MW residual heat electricity generation unit and 2.20 million tonnes cement grinding unit of Guangdong Qingxin Cement Co., Ltd. ("Qingxin Cement")	Under construction	206,430	–
6	9MW residual heat electricity generation project of Xingye Conch	Under construction	45,930	–
7	2.20 million tonnes cement grinding project of Ninghai Qiangjiao Conch Cement Co., Ltd.	Under construction	106,630	–
8	2.20 million tonnes cement grinding project of Taizhou Yangwan Conch Cement Co., Ltd.	Under construction	55,530	–
9	3.30 million tonnes cement grinding project of Liuan Conch Cement Co., Ltd.	Under construction	31,870	–
	Total		**1,070,560**	**28,810**

Note: Operation of the 9MW residual heat electricity generation project of Fenyi Conch commenced in January 2009.

Report of the Directors

3. Investment in principal project companies during the Reporting Period

(1) Huaian Chuzhou Conch Cement Co., Ltd.

On 3 January 2008, the Company established Huaian Chuzhou Conch Cement Co., Ltd. Such company is located in Chuzhou district, Huaian city, Jiangsu province with a registered capital of RMB80 million, 100% of its equity interest is held by the Company.

(2) Ningde Conch Cement Co., Ltd.

On 8 April 2008, the Company established Ningde Conch Cement Co., Ltd. Such company is located in Sanduao Economic Development Zone, Ningde city, Fujian province with a registered capital of RMB150 million, 100% of its equity interest is held by the Company.

(3) Pingliang Conch

On 8 April 2008, the Company established Pingliang Conch. Such company is located in Pingliang city, Gansu province with a registered capital of RMB150 million, 100% of its equity interest is held by the Company.

(4) Jiangxi Ganjiang Conch Cement Co., Ltd.

On 20 April 2008, the Company established Jiangxi Ganjiang Conch Cement Co., Ltd. Such company is located in Xinjian county, Jiangxi province with a registered capital of RMB80 million, 100% of its equity interest is held by the Company.

(5) Foshan Conch Cement Co., Ltd.

On 8 May 2008, the Company established Foshan Conch Cement Co., Ltd. Such company is located in Foshan city, Guangdong province with a registered capital of RMB100 million, 100% of its equity interest is held by the Company.

(6) Liuan Conch Cement Co., Ltd.

On 23 May 2008, the Company established Liuan Conch Cement Co., Ltd. Such company is located in Liuan city, Anhui province with a registered capital of RMB80 million, 100% of its equity interest is held by the Company.

(7) Dazhou Conch

On 27 June 2008, the Company established Dazhou Conch. Such company is located in Dazhou city, Sichuan province with a registered capital of RMB180 million, 100% of its equity interest is held by the Company.

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(8) Chongqing Conch

On 2 July 2008, the Company established Chongqing Conch. Such company is located in Chongqing city with a registered capital of RMB200 million, 100% of its equity interest is held by the Company.

(9) Guangyuan Conch

On 17 July 2008, the Company established Guangyuan Conch. Such company is located in Guangyuan city, Sichuan province with a registered capital of RMB180 million, 100% of its equity interest is held by the Company.

(10) Linxiang Conch Cement Co., Ltd.

On 23 July 2008, the Company established Linxiang Conch Cement Co., Ltd. Such company is located in Linxiang city, Hunan province with a registered capital of RMB150 million, 100% of its equity interest is held by the Company.

(11) Leqing Conch Cement Co., Ltd.

On 29 July 2008, the Company established Leqing Conch Cement Co., Ltd. Such company is located in Leqing city, Zhejiang province with a registered capital of RMB150 million, 100% of its equity interest is held by the Company.

(12) Quanjiao Conch Cement Co., Ltd.

On 15 August 2008, the Company established Quanjiao Conch Cement Co., Ltd. Such company is located in Quanjiao county, Anhui province with a registered capital of RMB180 million, 100% of its equity interest is held by the Company.

(13) Qingxin Cement

On 8 August 2008, the Company acquired 100% of the equity interests of Qingxin Cement from Guangdong Qingxin County Property Company at the price of RMB20.55 million.

(14) Guiding Conch

On 19 September 2008, the Company and Panjiang Coal & Electricity (Group) Co., Ltd. ("Panjiang Coal & Electricity") jointly established Guiding Conch. Such company is located in Guiding county, Guizhou province with a registered capital of RMB160 million, 50% of its equity interest is held by the Company.

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(15) Guiyang Conch

On 26 September 2008, the Company and Panjiang Coal & Electricity jointly established Guiyang Conch. Such company is located in Guiyang city, Guizhou province with a registered capital of RMB160 million, 50% of its equity interest is held by the Company.

(3) PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND INVESTED COMPANIES

As at 31 December 2008, the Company had 69 subsidiaries, 2 jointly-controlled entities and 3 invested companies ("Associates"), details of which were set out in notes 17, 18 and 19 to the financial statements prepared in accordance with IFRS in this report.

During the Reporting Period, relevant financial information of the three subsidiaries which accounted for the highest net profit (prepared in accordance with the PRC Accounting Standards) was set out below:

(Unit: RMB'000)

Item	Name	Registered capital	Total assets	Net assets	Revenue from principal activities	Profit from principal activities	Net profit
1	Prosperity Conch	580,000	2,300,149	1,171,376	1,711,834	387,527	259,349
2	Tongling Conch	565,000	3,636,572	1,497,563	2,576,662	534,828	231,246
3	Chizhou Conch	318,000	2,849,887	961,927	2,055,372	369,349	202,190

The principal activities of the above three subsidiaries are production and sales of cement and commodity clinkers. Revenue from principal activities of the three subsidiaries increased whilst their net profits decreased over the corresponding period of the previous year, among which Prosperity Conch experienced a decline of 40.67% in net profit over the corresponding period of the previous year. This was mainly attributable to the increase in costs of production as a result of the substantial increase in prices of fuels and raw materials, as well as the impact on sales volume and pricing as a result of falling demand for cement arising from the decline of the property sector.

(4) WORK OF THE BOARD

Major resolutions passed and matters approved by the Board during the Reporting Period were set out as follows:

1. On 12 March 2008, the Board considered and approved the resolution in respect of the investment in the establishment of Ningde Conch Cement Co., Ltd.

Report of the Directors

2. On 27 March 2008, the fourth meeting of the fourth session of the Board considered and approved the resolutions in respect of the annual report for year 2007, the construction investment projects, the re-appointment of auditors, the amendments to the Articles and the provision of guarantee for loans advanced to its subsidiaries. Details of the meeting of the Board and resolutions considered and approved therein were published in Shanghai Securities Journal on 28 March 2008. On the same day, the Board also considered and approved the resolution regarding the appointment of Mr. Yu Biao and Mr. Guo Jingbin as additional members of the Remuneration and Nomination Committee of the Board.

3. On 28 March, 8 April and 20 April 2008, the Board considered and approved the resolutions in respect of the investment in the establishment of Pingliang Conch., Foshan Conch Cement Co., Ltd and Jiangxi Ganjiang Conch Cement Co., Ltd. respectively.

4. On 21 April 2008, the Board considered and approved the first quarterly report for year 2008. Details of the meeting of the Board and resolutions considered and approved therein were published in Shanghai Securities Journal on 22 April 2008.

5. On 12 May 2008, the Board considered and approved the resolutions in respect of the investment in the new dry-process method for cement and clinker projects in Dazhou city of Sichuan province; Zhongxian of Chongqing; and Zunyi city of Guizhou province. Details of the resolution considered and approved at the meeting of the Board were published in Shanghai Securities Journal on 13 May 2008.

6. On 19 May and 10 June 2008, the Board considered and approved the resolutions in respect of the investment in the establishment of Liuan Conch Cement Co., Ltd. and Chonqing Conch Cement Co., Ltd. respectively.

7. On 13 June 2008, the Board considered and approved the resolution in respect of the use of an operating fund of RMB1.5 billion for trustee investment. Details of the resolution considered and approved at the meeting of the Board were published in Shanghai Securities Journal on 16 June 2008.

8. On 20 June 2008, the Board considered and approved the resolution in respect of the investment in the establishment of Dazhou Conch.

9. On 24 June 2008, the Board considered and approved the resolution in respect of the strategic investment in listed companies in the industry such as Jidong Cement.

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10. On 3 July 2008, the Board considered and approved the resolutions in respect of the connected transaction of the residual heat electricity generation projects between the Company and Conch Kawasaki Engineering, the connected transaction regarding the sale and purchase of milling equipment between the Company and Conch Kawasaki Equipment, the connected transaction regarding the procurement of clinker, production spare parts and ancillary materials from Longshan Cement by the Company's subsidiaries, the connected transaction regarding the provision of cement and clinker project design services by Anhui Conch Building Materials Design Centre ("Conch Design") to the Company, and the connected transaction regarding the provision of construction services by Anhui Wuhu Conch Construction and Installation Co., Ltd. ("Conch Construction"), a subsidiary of the Company to Conch Profiles. Details of the resolutions considered and approved at the meeting of the Board were published in Shanghai Securities Journal on 4 July 2008.

11. On 11 July, 14 July, 16 July and 8 August 2008, the Board considered and approved the resolutions in respect of the investment in the establishment of Leqing Conch Cement Co., Ltd., Guangyuan Conch, Linxiang Conch Cement Co., Ltd. and Quanjiao Conch Cement Co., Ltd., as well as the acquisition of the entire equity interests of Qingxin Cement held by Guangdong Qingxin County Property Company respectively.

12. On 14 August 2008, the Board considered and approved the interim report for year 2008. Details of the resolutions considered and approved at the meeting of the Board were published in Shanghai Securities Journal on 15 August 2008.

13. On 15 September 2008, the Board considered and approved the resolutions in respect of the joint investment in the establishment of Guiding Conch and Guiyang Conch by the Company and Panjiang Coal & Electricity.

14. On 21 October 2008, the Board considered and approved the third quarterly report for year 2008. Details of the resolutions considered and approved at the meeting of the Board were published in Shanghai Securities Journal on 22 October 2008.

15. On 31 December 2008, the Board considered and approved the resolution in respect of the change of the use of part of the Proceeds and the use of the remaining Proceeds raised from the issue of 200,000,000 A Shares in 2008 by the Company, and also considered and approved the notice for convening the first extraordinary general meeting for 2009, the class meeting for holders of A Shares and the class meeting for holders of H Shares. Details of the resolutions considered and approved at the meeting of the Board were published in Shanghai Securities Journal on 5 January 2009.

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The Board's implementation of the resolutions approved at general meetings

During the Reporting Period, the Board has implemented the resolutions approved at general meetings, particulars of which were set out as follows:

1. ***Determination of remunerations of the PRC auditor and international auditor***

   Pursuant to the authorization granted in the annual general meeting for year 2007, the remunerations of the PRC auditor, KPMG Huazhen Certified Public Accountants, and international auditor, KPMG Certified Public Accountants, were determined.

2. ***Matters relating to the public issue of A Shares***

   In accordance with the authorization granted in the first extraordinary general meeting for year 2007, the Company published the prospectus and relevant announcements in the PRC on 14 May 2008 after obtaining the approval document (Zheng Jian Xu Ke [2008] No.496) from CSRC on 3 April 2008, and implemented the proposal on the public issue of 200,000,000 A Shares at an issue price of RMB57.38 per share. The gross proceeds raised from this issue amounted to RMB11,476 million. Net proceeds raised from this issue, after deduction of issuing expenses, amounted to RMB11,282 million. On 22 May 2008, the registration for this issue of new shares with CSDCCL Shanghai Branch was completed.

   On 26 June 2008, the Company completed the registration of change in particulars of the issue of new shares and the filing procedure of the amendments to the Articles with the Industrial and Commercial Administration Bureau of Anhui Province. The registered capital of the Company increased from RMB1,566,434,193 to RMB1,766,434,193 and the total number of shares increased from 1,566,434,193 shares to 1,766,434,193 shares.

(5) PROFIT DISTRIBUTION PROPOSAL

Based on the financial data prepared in accordance with PRC Accounting Standards and IFRS, the Group's net profit attributable to equity shareholders of the Company for the year 2008 amounted to RMB2,607,010,000 and RMB2,607,220,000 respectively. The profit distribution for the year ended 31 December 2008 recommended by the Board of the Company is set out as follows:

(1) Pursuant to the requirements of the Articles, it is proposed that based on the financial statements prepared in accordance with the PRC Accounting Standards, 10% of the net profit after tax shall be reserved for the statutory surplus reserve for the Company. The total amount is approximately RMB125,770,000.

(2) Based on the total number of 1,766,434,193 shares in its share capital as at 31 December 2008, the payment of a final dividend of RMB0.30 per share (tax inclusive) is recommended, totalling approximately RMB529,930,000.

The above profit distribution proposal is subject to consideration and approval in the annual general meeting for year 2008.

Report of the Directors

As far as the Company is aware, as at the date of this report, there was no arrangement under which a shareholder has waived or agreed to waive any dividend proposed to be distributed for the year 2008.

According to the Law on Corporate Income Tax of the People's Republic of China《中華人民共和國企業所得稅法》 and the relevant implementation rules which came into effect on 1 January 2008, and the Notice on Issues relating to Witholding and Paying of Enterprise Income Tax by Chinese Resident Enterpriese over Dividends Distributable to Their H-Share Holders Who are Overseas Non-resident Enterprises (Guoshuihan No. 897 [2008])《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》promulgated by State Administration of Taxation on 6 November 2008, the Company is required to withhold and pay corporate income tax at the rate of 10% before distributing the final dividend to non-resident corporate shareholders whose names appear on the H Shares register of members of the Company. Any H Shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident corporate shareholders and accordingly, the dividend to which they are entitled will be subject to the withholding of the corporate income tax.

Shareholders and investors should peruse the contents above carefully. If shareholders' names appear on the H Shares register of members, please refer to nominees or trust organization for details of the relevant arrangements. The Company has no obligation and shall not be responsible for confirming the identities of the shareholders. The Company will strictly comply with the law, and withhold and pay the corporate income tax on behalf of the relevant shareholders based on the H Shares register of members of the Company as of the date of closure of register for the 2008 annual general meeting (please refer to the notice of 2008 annual general meeting published by the Company for details). The Company will not accept any requests relating to any delay in confirming the identity of the shareholders or any errors in the identity of the shareholders.

(6) TAXATION

Details of taxation are set out in notes 7 and 33 to the financial statements prepared in accordance with IFRS, and in note 5 "taxation" and notes 43 and 48 to the financial statements prepared in accordance with PRC Accounting Standards.

(7) MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2008, in the operation business of the Group, the aggregate sales of the Group to its five largest customers amounted to RMB2.251 billion, representing 9.29% of the total sales of the Group; and the largest customer accounted for 2.67% of the total sales of the Group; the aggregate purchases from the five largest suppliers amounted to RMB3.404 billion, representing 14.28% of the total purchases of the Group; and the largest supplier accounted for 3.95% of the total purchases of the Group.

Report of the Directors

Save for those disclosed above, none of the Directors, Supervisors or their respective associates (as defined in the Listing Rules of the Stock Exchange) or to the knowledge of the Board, shareholders interested in 5% or more of the issued shares of the Company has no interests in any of the five largest customers or five largest suppliers of the Group for the year ended 31 December 2008. The major raw materials and energy used by the Company are denominated in RMB.

(8) LEASEHOLD LAND, PROPERTY, PLANT AND EQUIPMENT

Movements in leasehold land, property, plant and machinery of the Company for the year ended 31 December 2008 were set out in note 14 to the financial statements prepared in accordance with IFRS.

(9) TOTAL ASSETS

As at 31 December 2008, the Group's total assets as determined in accordance with IFRS amounted to approximately RMB42,383,740,000, an increase of approximately RMB11,462,460,000 over that of last year.

(10) RESERVES

Movements in reserves of the Company and the Group for the year ended 31 December 2008 were set out in note 36 to the financial statements prepared in accordance with IFRS.

(11) DEPOSITS, LOANS AND CAPITALIZED INTEREST

Details of the Group's loans as at 31 December 2008 were set out in notes 30, 31 and 32 to the financial statements prepared in accordance with IFRS. Banks for the Group's deposits as at 31 December 2008 are reputable commercial banks. The Group has no entrusted deposits and fixed deposits which cannot be withdrawn upon expiry. During the year, interest capitalized in respect of construction-in-progress amounted to RMB92.79 million, details of which were set out in note 6 to the financial statements prepared in accordance with IFRS.

(12) EXCHANGE RATE RISK AND RELATED HEDGING BY FINANCIAL INSTRUMENTS

A few equipment, fire-resistant tiles and spare parts imported by the Group were normally settled in US dollars or Euro, while cement and clinker for export were normally settled in US dollars. Any changes in the exchange rates of such foreign currencies against RMB will affect the purchase cost and export income of the Group.

Report of the Directors

To avoid the foreign exchange risk, with respect to import, the Group utilized the US dollars received from exports sales to settle the purchase costs of the equipment denominated in US dollars directly. To pay for the equipment denominated in Euro, the Group generally hedged the risk of the exchange rate of Euro by entering into forward contracts, instant purchase of foreign currency and other available methods after taking into account the advice provided by certain professional financial institutions. The Group would also analyze the economic conditions of the Euro economic zones particularly the impact of financial crisis on Euro, make judgment and forecast on the movement trends of Euro exchange rate and adopt different modes of payment arrangement. As for export, due to the fast unilateral RMB appreciation against US dollars in the first half of the year and the relative stability in the second half of the year, there was a lack of effective hedging tools in the market in connection with the rapid RMB appreciation in the first half of the year. The Group normally avoided risk of the change in exchange rate of US dollar by early settlement of trade receivable or timely settlement of foreign exchange and forward contract in the first half of the year. In connection with the relative stable exchange rate in the second half of the year, the Group has closely monitored the change in exchange rates with a view to settle the exchanges at a more favorable rate.

On the other hand, with respect to the risk management over export income, due to the increasing risk over collection of income from export as a result of the financial crisis, the Group has adjusted its risk control policies in a timely manner: (1) to increase the proportion of telegraphic transfer payment prior to delivery of products; (2) to strictly control over the risk of the letter of credit ("L/C") issuing bank of overseas customers (requiring creditable banks to issue the L/C and utilizing the global network platform of foreign banks, such as HSBC, to timely enquire the credibility of the L/C issuing bank); (3) to adopt a comprehensive tracking strategy in respect of the settlement by L/C. The Company has strengthened the control from issuing of L/C, delivery of products, issuance of bill of lading to payment collection, so as to safely secure the receipts of payments in foreign currency.

(13) CHANGE IN NEWSPAPER FOR DISCLOSURE OF INFORMATION IN THE PRC

The newspaper for disclosure of information by the Company in the PRC has not been changed during the Reporting Period, which was Shanghai Securities Journal.

Report of the Supervisory Committee

(1) REPORT ON THE WORKS OF THE SUPERVISORY COMMITTEE IN 2008

During the Reporting Period, a total of five Supervisory Committee meetings were held. Details of these meetings and resolutions passed therein were set out as follows:

1. On 27 March 2008, the third meeting of the fourth session of the Supervisory Committee was held in the conference room of the Company, the report of the Supervisory Committee for year 2007, the financial statements prepared in accordance with IFRS and PRC Accounting Standards respectively for year 2007, the annual report for year 2007 and its summary, the results announcement, the connected transactions occurred in 2007 and the changes in staff Supervisors were considered and approved.

2. On 21 April 2008, a meeting of the Supervisory Committee was held by means of communication and the first quarterly report for year 2008 of the Company was considered and approved.

3. On 14 August 2008, the Supervisory Committee considered and approved the unaudited financial statements of the Company for the six months ended 30 June 2008 prepared in accordance with PRC Accounting Standards and IFRS respectively, the interim report for year 2008 and its summary and the results announcements by way of written resolution.

4. On 21 October 2008, a meeting of the Supervisory Committee was held by means of communication and the third quarterly report for year 2008 of the Company was considered and approved.

5. On 31 December 2008, the Supervisory Committee considered and approved the resolution in respect of the change of the use of part of the Proceeds and the use of the remaining Proceeds raised from the public issue of 200,000,000 A Shares in 2008 by way of written resolution.

(2) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON CERTAIN ISSUES OF THE COMPANY IN 2008

1. Operations compliance

In 2008, the Supervisory Committee attended the Board meetings and general meetings. In accordance with the relevant laws and regulations, it has supervised the process of convening general meetings and Board meetings, matters resolved therein, the process of decision making, the implementation by the Board of resolutions approved by shareholders at general meetings and the performance of the duties by Directors and managers of the Company. The Supervisory Committee considered that the Board has conducted regulated operation in accordance with the laws and regulations of the Company Law and the Securities Law of the PRC, the Listing Rules of the SSE and the Articles, and rigorously implemented the resolutions of general meetings and made operating decisions scientifically and reasonably and the Board had also established a sound system for internal management and control. None of the Directors, managers and other members of

Report of the Supervisory Committee

senior management committed any act which violated any laws, regulations or the Articles or prejudicial to the interests of the Company in the course of performing their duties.

2. Annual financial report and auditors' report

The financial statements of the Company for year 2008 gave an objective, true and fair view on the financial position and operating results of the Company. The standard unqualified audit report issued by KPMG on the financial statements was objective and fair.

3. Change of use of Proceeds and use of remaining Proceeds raised from the issue of shares

The change of the use of part of the Proceeds and the use of the remaining Proceeds raised from issue of shares by the Company could avoid long-term idleness of fund and help increasing the utilization rate of the Proceeds. In addition, the reallocation of part of the Proceeds for investment in the western region projects favored the implementation of the western region strategies of the Company and was in line with the development needs of the Company. The change of the use of Proceeds and the use of the remaining Proceeds did not jeopardize the interests of minority investors and the relevant decision-making procedures were in compliance with the requirements of the Company Law and the Articles.

4. Insider dealings

During the Reporting Period, no insider dealings were conducted by the senior management or parties who possess confidential information, nor was there any act which jeopardized the interests of shareholders or caused loss to the Company's assets.

5. Connected transactions

During the Reporting Period, the connected transactions of the Company were conducted in accordance with the law and the relevant considerations were made with reference to market prices, which were determined with sufficient references and were fair and reasonable and not prejudicial to the interests of the Company.

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(1) MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group was not involved in any litigation or arbitration which might have a material impact on the Group's business operation, nor was any of the Directors, Supervisors or members of senior management of the Company involved in any material litigation or arbitration.

(2) SHAREHOLDINGS IN OTHER LISTED COMPANIES AND TRADING OF SHARES OF OTHER LISTED COMPANIES

During the Reporting Period, the Board of the Company authorized the Company to utilize its disposable fund for strategic investment in several sizable PRC listed companies in the cement industry with competitive strengths and growth potentials through the securities market. The total investment cap was RMB1.2 billion. In addition, the Company continued to own 39,385,700 shares in Anhui Chaodong Cement Group Co., Ltd. ("Chaodong Group"). As at the end of the Reporting Period, details of the Company's shareholdings in and trading of shares of other listed companies were set out as follows:

1. Shareholdings in other listed companies:

Stock code	Short name	Acquisition cost (RMB)	Porportion of ownership interest held by the Company (%)	Carrying amount as at the end of the Reporting Period (RMB)	Profit/loss recognized during the Reporting Period (RMB)	Change in equity during the Reporting Period (RMB)
600318	Chaodong Group	98,019,695	16.28	121,307,956	–	(205,593,354)
000401	Jidong Cement	1,015,614,838	8.22	986,675,887	(211,704)	(22,045,819)
600720	Qilianshan	105,975,578	–	–	29,757,975	–
600802	Fujian Cement	94,632,878	1.56	23,329,472	(817,672)	(6,316,408)
600801	Huaxin Cement	80,608,336	0.56	33,734,218	2,743,803	493,008
000789	Jiangxi Cement	54,191,978	–	–	916,270	–
000885	Tongli Cement	44,705,054	3.74	36,709,965	(36,840)	(7,639,703)
Total		**1,493,748,357**	**–**	**1,201,757,498**	**32,351,832**	**(241,102,276)**

Notes:

1. The 39,385,700 shares of Chaodong Group held by the Company were acquired in 2007 through a share transfer agreement, whereas the respective shares of six companies namely Jidong Cement, Qilianshan, Fujian Cement, Huaxin Cement, Tongli Cement and Jiangxi Cement were purchased by the Company in secondary market after the strategic investment decision made by the Board of the Company. After acquisition of such shares, the Company had continuously monitored and assessed the strategic investment plan taking into consideration the practical circumstances. Accordingly, the entire interests in Qilianshan and Jiangxi Cement were disposed of;

2. the above shares held by the Company were recognized in "Available-for-sale equity securities".

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2. Trading of shares of other listed companies:

Stock code	Short name	No. of shares held at the beginning of the Reporting Period	No. of shares purchased during the Reporting Period	No. of shares disposed of during the Reporting Period	No. of shares held at the end of the Reporting Period	Fund utilized (RMB)	Investment income (RMB)
000401	Jidong Cement	–	2,567,241	2,567,241	–	36,503,743	12,273,342
000898	Angang Steel	–	60,000	60,000	–	1,214,579	(174,002)
601390	China Railway	–	70,000	70,000	–	525,866	9,085
600710	Changlin Company	–	100,000	100,000	–	399,897	(56,205)
600143	Jinfa Technology	–	50,000	50,000	–	245,663	33,308
600016	CMBC	–	100,000	100,000	–	424,158	(14,696)
000983	Xishan Coal-Electricity	–	50,000	50,000	–	526,313	131,378
Total		**–**	**2,997,241**	**2,997,241**	**–**	**39,840,219**	**12,202,210**

Notes:

1. The 2,567,241 shares in Jidong Cement as stated in the above table were purchased by the Company in secondary market prior to the strategic investment decision made by the Board, and were sold prior to such strategic investment decision of the Board, relevant investment income was obtained;

2. the shares in the six companies namely Angang Steel, China Railway, Changlin Company, Jinfa Technology, CMBC and Xishan Coal-Electricity as stated in the above table were purchased by the Group in secondary market but were not included in the strategic investment plan of the Group. As at the end of the Reporting Period, all such shares were sold out;

3. the shares in the above companies held by the Group were recognized in "Securities held for trading".

(3) ACQUISITIONS OF MATERIAL ASSET

During the Reporting Period, the Company did not acquire any material assets.

(4) MATERIAL CONNECTED TRANSACTIONS

1. Connected transactions in the course of ordinary operation or continuing connected transactions

(1) Use of trademark

On 23 September 1997, the Company and its holding company, Conch Holdings entered into the trademark licensing agreement ("Trademark Licensing Agreement"), pursuant to which the Company may use the trademarks (including trademarks such as "海螺" and "Conch") on permitted

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products in permitted regions pursuant to the period as set out in the terms of the Trademark Licensing Agreement. The valid period of the Trademark Licensing Agreement shall be the same as the valid period of the permitted trademarks, and should the valid period of permitted trademarks be extended, the Trademark Licensing Agreement in respect of the trademarks shall be extended automatically. Pursuant to Trademark Licensing Agreement, the Company is required to pay RMB1.513 million per annum for the use of the trademark to the holding company. The Company has paid the fee to the holding company for the use of the trademark during the Reporting Period. Pursuant to the Listing Rules of the Stock Exchange and the Listing Rules of the SSE, the connected transaction was not subject to the announcement and the independent shareholders' approval requirements.

(2) Procurement of clinker

On 3 July 2008, as approved by the Board of the Company, Jiangmen Conch Cement Co., Ltd. ("Jiangmen Conch"), a wholly-owned subsidiary of the Company, and Longshan Cement entered into a clinker procurement agreement ("Clinker Procurement Agreement") for the procurement of clinker by Jiangmen Conch from Longshan Cement. The term of the agreement commenced from 1 January 2008 and will expire on 31 December 2010.

Longshan Cement is wholly owned by Prosperity Cement Investment Limited ("Prosperity Cement"). Each of Longshan Cement and Prosperity Cement is an associate of Prosperity Minerals (International) Limited ("Prosperity Minerals"), as Longshan Cement, Prosperity Cement and Prosperity Minerals are fellow subsidiaries of the same common holding company. Prosperity Minerals is a substantial shareholder of Prosperity Conch (holding 25% of its equity interest), a non wholly-owned subsidiary of the Company (holding the remaining 75% of Prosperity Conch's equity interest). As such, pursuant to the Listing Rules of the Stock Exchange, Longshan Cement is a connected person of the Company and the above transaction constitutes a continuing connected transaction. Pursuant to the Listing Rules of the SSE, the Company and Longshan Cement are not connected parties. As such, the above transaction does not constitute a connected transaction.

The purchase price of clinker was determined with reference to market prices, and after negotiation between the Group and Longshan Cement, and shall not be higher than that offered to other independent customers by Longshan Cement. During the Reporting Period, Jiangmen Conch mainly considered the cost, product quality, market demand and the price of similar products offered by other third parties in the same area in determining whether it would procure clinker from Longshan Cement or other independent suppliers.

During the Reporting Period, Jiangmen Conch settled the payment for clinker procured from Longshan Cement by its working capital on a monthly basis. During the Reporting Period, Jiangmen Conch procured 350,000 tonnes of clinker from Longshan Cement which amounted to RMB84.55 million, which has not exceeded the annual procurement cap of RMB107.40 million as prescribed under the Clinker Procurement Agreement.

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Please refer to the announcements of the Company dated 3 July 2008 (published on the website of the Stock Exchange) and dated 4 July 2008 (published on the SSE website and Shanghai Securities Journal) for details. Such continuing connected transaction was not subject to the approval of independent shareholders in general meeting.

(3) Procurement of spare parts and production ancillary materials

On 3 July 2008, as approved by the Board of the Company, Prosperity Conch, a subsidiary of the Company, and Longshan Cement entered into a spare parts and production ancillary materials procurement agreement ("Spare Parts and Production Ancillary Materials Procurement Agreement") in relation to the mutual procurement of spare parts and production ancillary materials between Prosperity Conch and Longshan Cement. The term of the agreement commenced from 1 January 2008 and will expire on 31 December 2010.

The selling prices of spare parts and production ancillary materials offered by Prosperity Conch and Longshan Cement respectively were the prices they procured from their respective suppliers.

During the Reporting Period, the payment for spare parts and production ancillary materials mutually procured between Prosperity Conch and Longshan Cement was settled by their respective working capital on a monthly basis. During the Reporting Period, the procurement amount for spare parts and production ancillary materials by Prosperity Conch from Longshan Cement was RMB4.47 million; and the procurement amount for spare parts and production ancillary materials by Longshan Cement from Prosperity Conch was RMB5.19 million, which have not exceeded the annual transaction cap of RMB16 million as prescribed under the Spare Parts and Production Ancillary Materials Procurement Agreement.

Please refer to the announcements of the Company dated 3 July 2008 (published on the website of the Stock Exchange) and dated 4 July 2008 (published on the SSE website and Shanghai Securities Journal) for details. Such continuing connected transaction was not subject to the approval of independent shareholders in general meeting.

2. Residual heat electricity generation projects

On 3 July 2008, as approved by the Board of the Company, the Company and Conch Kawasaki Engineering entered into a supply and design of equipment contract pursuant to which Conch Kawasaki Engineering would provide a whole set of equipment and design services for the construction of residual heat electricity generation projects for four subsidiaries of the Company, including Chizhou Conch. The aggregate contract amount was RMB235.75 million.

Conch Kawasaki Engineering, a sino-foreign equity joint venture enterprise established in the PRC, is owned as to 50% by Conch Venture. Conch Venture is a substantial shareholder of the Company holding approximately 16.3% of the

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entire issued share capital of the Company. Conch Kawasaki Engineering is an associate of Conch Venture and is therefore a connected person of the Company. As such, the above transaction constituted a connected transaction pursuant to the Listing Rules of the Stock Exchange. As Mr. He Chengfa, deputy general manager of the Company serves as the chairman of Conch Kawasaki Engineering, Conch Kawasaki Engineering is therefore a connected person of the Company. As such, the above transaction constituted a connected transaction pursuant to the Listing Rules of the SSE.

Contract price of the transaction between the Company and Conch Kawasaki Engineering was determined with reference to the project cost, which was mainly based on project scale and standard of technology, and the prevailing market prices as well as the price charged by Conch Kawasaki Engineering to other customers and after negotiation between the parties, but was not higher than that offered by Conch Kawasaki Engineering to independent customers.

During the Reporting Period, the whole set of equipment and design services for the construction of the residual heat electricity generation projects of the Group was provided by Conch Kawasaki Engineering. The Group has not settled the relevant equipment price and design fee.

Please refer to the announcements of the Company dated 3 July 2008 (published on the website of the Stock Exchange) and dated 4 July 2008 (published on the SSE website and Shanghai Securities Journal) for details. Such connected transaction was not subject to the approval of independent shareholders in general meeting.

3. Purchase of milling equipment

On 3 July 2008, as approved by the Board of the Company, the Company and Conch Kawasaki Equipment entered into a milling equipment supply contract, pursuant to which the Company agreed to purchase 16 sets of CK-450 milling equipment from Conch Kawasaki Equipment. The total contract price was RMB448 million.

Conch Kawasaki Equipment, a sino-foreign equity joint venture enterprise established in the PRC, is owned as to 50% by Conch Venture. Conch Venture is a substantial shareholder of the Company holding approximately 16.3% of the entire issued share capital of the Company. Conch Kawasaki Equipment is an associate of Conch Venture and is therefore a connected person of the Company. As such, the above transaction constituted a connected transaction pursuant to the Listing Rules of the Stock Exchange. As Mr. He Chengfa, deputy general manager of the Company serves as a director of Conch Kawasaki Equipment, Conch Kawasaki Equipment is therefore a connected person of the Company. As such, the above transaction constituted a connected transaction pursuant to the Listing Rules of the SSE.

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 Equipment to other customers, but shall not be higher than that offered by Conch Kawasaki Equipment to independent customers.

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During the Reporting Period, the amount for the purchase of milling equipment paid by the Group to Conch Kawasaki Equipment amounted to RMB180.6 million.

Please refer to the announcements of the Company dated 3 July 2008 (published on the website of the Stock Exchange) and dated 4 July 2008 (published on the SSE website and Shanghai Securities Journal) for details. Such connected transaction was not subject to the approval of independent shareholders in general meeting.

4. Design of Cement and Clinker Projects

On 3 July 2008, as approved by the Board of the Company, the Company and Conch Design entered into a 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 18 subsidiaries of the Company including Chizhou Conch. The contract price was RMB40.45 million.

Conch Holdings, a controlling shareholder of the Company, holding approximately 35.66% of the entire issued capital of the Company, is a connected person of the Company, and Conch Design is a wholly-owned subsidiary of Conch Holdings. Conch Design is an associate of Conch Holdings and is therefore a connected person of the Company. As such, the above transaction constituted a connected transaction pursuant to the Listing Rules of the Stock Exchange. Pursuant to the Listing Rules of the SSE, Conch Design is a connected person of the Company. Therefore, the above transaction constituted a connected transaction.

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. The design fee will be settled according to the project progress. During the Reporting Period, the design fee paid by the Group to Conch Design amounted to RMB8.68 million.

Please refer to the announcements of the Company dated 3 July 2008 (published on the website of the Stock Exchange) and dated 4 July 2008 (published on the SSE website and Shanghai Securities Journal) for details. Such connected transaction was not subject to the approval of independent shareholders in general meeting.

5. Construction Projects

On 3 July 2008, as approved by the Board of the Company, Conch Construction, a subsidiary of the Company, and Conch Profiles entered into a 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 approximately RMB21.8 million. As set out in the open tender document, such contract price is subject to adjustment in accordance with the actual services price of the projects.

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Conch Profiles is owned as to approximately 32% by Conch Building Materials, which in turn is a subsidiary of Conch Holdings and is owned as to approximately 81% by Conch Holdings. Conch Profiles is an associate of Conch Holdings and is therefore a connected person of the Company. As such, the above transaction constituted a connected transaction pursuant to the Listing Rules of the Stock Exchange. Pursuant to the Listing Rules of the SSE, Conch Profiles is a connected person of the Company. As such, the above transaction constituted a connected transaction. However, as the construction project transaction between Conch Construction and Conch Profiles was awarded to Conch Construction as a result of its participation in the open tender for the construction project of Conch Profiles, a waiver to comply with the approval and disclosure requirements for connected transactions was granted pursuant to the Listing Rules of the SSE. During the Reporting Period, Conch Construction has received construction project fee of RMB14.45 million from Conch Profiles.

Please refer to the announcements of the Company dated 3 July 2008 (published on the website of the Stock Exchange) and dated 4 July 2008 (published on the SSE website and Shanghai Securities Journal) for details. Such connected transaction was not subject to the approval of independent shareholders in general meeting.

Confirmation by independent non-executive Directors on connected transactions

During the Reporting Period, the connected transactions were required in the Company's ordinary and usual course of business, and were entered into on normal commercial terms and at arm's length pursuant to the terms of the agreements (if any). As far as the Company is concerned, such transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole, and have not exceeded the transaction caps (if any) disclosed in the previous announcements. All continuing connected transactions as stated above were reviewed and confirmed by independent non-executive Directors.

KPMG Certified Public Accountants has reviewed the above continuing connected transactions items (1) to (3) under paragraph (1) (hereafter as "transactions") and issued letter to the Board of Directors, confirming that: (1) those transactions have been approved by the Board of Directors of the Company; (2) they were not aware of any situations which would make them believe that those transactions were not conducted in accordance with the terms of the relevant agreements governing the transactions or the prices of these transactions were not made in accordance with the Group's pricing policy; and (3) they were not aware of any matters which would make them believe that the annual aggregate amount of each of the transactions exceeds the annual cap as disclosed in the previous announcements made by the Company.

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(5) 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 related to its own loans and loans of its subsidiaries, and all the guarantees have been approved either by the Board or the general meetings.

During the Reporting Period, the guarantees provided by the Company for its subsidiaries amounted to RMB200 million, all being guarantees for collateral liabilities; as at 31 December 2008, the balance of guarantees provided by the Company for its subsidiaries amounted to RMB720 million, representing 2.94% 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 which are not legal persons or individuals. The aggregate amount of guarantees provided by the Company did not exceed 50% of the Company's latest audited net assets; the aggregate amount of the guarantee provided by the Company to its controlling subsidiaries with a gearing ratio of over 70% amounted to RMB200 million.

During the Reporting Period, Ningbo Conch Cement Co., Ltd., a subsidiary of the Company, repaid the long-term loan in the sum of RMB60 million on 6 June 2008. Various buildings, machines and land use rights of a book value of approximately RMB63.77 million were pledged on 31 December 2007 as security for such loans. Accordingly, the pledge over such assets was released upon the repayment of loan.

As at 31 December 2008, Baimashan Cement Plant and Ningguo Cement Plant of Anhui Conch Cement Co., Ltd., branch companies of the Company, pledged their assets of a book value of RMB793 million to International Finance Corporation as security for their long-term loan in the sum of RMB650 million.

3. **Major Trustee Investment Arrangements**

As approved by the Board of the Company, the Company entered into the *Hui Shang Bank Jiu Yue RMB Growth Investment Bill Financial Product (Class A) Contract (徽商銀行九越理財票據贏人民幣理財產品)* and the *Hui Shang Bank Jiu Yue RMB Growth Investment Bill Financial Product (Class B) Contract (徽商銀行九越理財票據贏人民幣理財產品)* with Wuhu branch of Hui Shang Bank on 13 June 2008 respectively to utilize the operating fund of RMB1.5 billion on trustee investment to purchase the financial products Jiu Yue RMB Growth Investment Bill (Class A

Significant Events

and Class B) from Hui Shang Bank, among which the fund used for the purchase of financial product Class A amounted to RMB1 billion with one-month's maturity at an annualized yield-to-maturity of 4.98%; and the fund used for the purchase of financial product Class B amounted to RMB500 million with two months' maturity at an annualized yield-to-maturity of 5.01%.

The Company fully redeemed the financial product Class A purchased by the Company upon its maturity on 14 July 2008 at its principal amount of RMB1 billion with a gain of RMB4.15 million. The Company fully redeemed the financial product Class B purchased by the Company upon its maturity on 13 August 2008 at its principal amount of RMB500 million with a gain of RMB4,175,000.

The above trustee investments were performed in strict compliance with relevant statutory procedures and the resulting gains were legal and valid. As of the date of this report, no new trustee investment plans were formulated by the Company.

4. Commitments

In respect of the issue of shares as consideration for acquisition of assets which was completed on 25 May 2007, Conch Venture, being the shareholder holding more than 5% of the total issued shares of the Company, has undertaken that: if the three-year average value of the aggregate audited net profit attributable to the equity interests of Digang Conch, Zongyang Conch, Chizhou Conch and Tongling Conch (hereafter as the "Four Companies") acquired by Conch Cement from Conch Venture for years 2006, 2007 and 2008 prepared in accordance with the PRC Accounting Standards is less than RMB319,198,000, Conch Venture agreed that Conch Cement could repurchase a certain number of shares in Conch Cement from Conch Venture at a consideration of RMB1.00.

Given that the three-year average value of the aggregate audited net profit attributable to the equity interests of the Four Companies for years 2006, 2007 and 2008 audited by KPMG Huazhen Certified Public Accountants in accordance with the PRC Accounting Standards was RMB348,655,000 which is higher than RMB319,198,000. No share was repurchased by Conch Cement.

(6) FUND APPROPRIATION BY CONTROLLING SHAREHOLDER AND ITS SUBSIDIARIES

During the Reporting Period, there was no appropriation of fund of the Company by the controlling shareholders and its subsidiaries for non-operational purpose.

Notice of 2008 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2008 annual general meeting ("**Annual General Meeting**") of Anhui Conch Cement Company Limited ("**Company**") will be held at No. 1011 Jiuhuashan South Road, Wuhu City, Anhui, the PRC, at 9:00 a.m. on Friday, 5 June 2009.

The Annual General Meeting is to be held for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and approve the report of the board ("**Board**") of directors ("**Directors**") for the year ended 31 December 2008.

2. To consider and approve the report of the supervisory committee for the year ended 31 December 2008.

3. To consider and approve the audited financial reports prepared in accordance with the China Accounting Standards for Business Enterprises (2006) and International Financial Reporting Standards respectively for the year ended 31 December 2008.

4. To consider and approve the Company's profit distribution proposal for year 2008 (for details of the profit distribution proposal, please refer to section no. (5) "Profit Distribution Proposal" under the "Report of the Directors" contained in the Company's Annual Report for year 2008).

5. To consider and approve the reappointment of KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants as the PRC and international auditors of the Company respectively, and the authorisation to the Board to determine the remuneration of the auditors.

6. To consider and approve the provision of guarantees by the Company in respect of the bank borrowings of its following subsidiaries.

No.	**Name of the subsidiaries being guaranteed**	**Gearing ratio**	**Guaranteed amount** (RMB million)	**Term of guarantee**
1	Bengbu Conch Cement Co., Ltd.	71.32%	20	3 years
			160	5 years
2	Nanchang Conch Cement Co., Ltd.	74.13%	50	1 year
3	Shimen Conch Cement Co., Ltd.	72.08%	70	5 years
4	Wuhu Conch Cement Co., Ltd.	74.75%	70	1 year
			300	5 years
			250	7 years
5	Anhui Xuancheng Conch Co., Ltd.	80.61%	200	3 years
			400	5 years
6	Yiyang Conch Cement Co., Ltd.	84.04%	190	3 years
			100	5 years
			110	7 years
7	Zhongguo Cement Co., Ltd.	70.00%	50	1 year
	Total		**1,970**	

(Note: All the above-mentioned companies are 100% owned subsidiaries of the Company.)

Notice of 2008 Annual General Meeting

SPECIAL RESOLUTIONS

7. To consider and approve the amendment to the Articles of Association of the Company ("**Articles of Association**") by way of special resolution:

   A new article is proposed to be added after Article 169 in Section 17 of the existing Articles of Association as Article 169A of the revised Articles of Association. The full text of the new Article 169A proposed to be added is set out as follows:

   "Article 169A The Company should implement a proactive profit distribution method, continuity and stability of the profit distribution policy should be maintained.

   The Board should propose to the annual general meeting a cash dividend distribution proposal in each profit-making financial year. If a cash dividend distribution proposal is not proposed, the reason therefor should be disclosed in the periodical report, and the independent directors should issue an independent opinion on this matter. Should there be any misappropriation of the Company's funds by any shareholder of the Company, the Company should deduct the cash dividends to which such shareholder is entitled from the fund misappropriated by it as a repayment of the misappropriated fund."

8. To consider and approve the following resolutions by way of special resolutions:

   (a) "THAT subject to the limitations under (c) and (d) below and to the requirements of the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"), the Company Law of the People's Republic of China ("PRC"), and other applicable laws and regulations (in each case, as amended from time to time), an unconditional general mandate be and is hereby granted to the Board to exercise once or in multiple times during the "Relevant Period" (as defined below) all the powers of the Company to allot and issue ordinary shares ("**new shares**") on such terms and conditions as the Board may determine and that, in the exercise of their powers to allot and issue shares, the authority of the Board shall include (without limitation):

   (i) the determination of the class and number of the shares to be allotted;

   (ii) the determination of the issue price of the new shares;

   (iii) the determination of the opening and closing dates of the issue of new shares;

   (iv) the determination of the class and number of new shares (if any) to be issued to the existing shareholders;

   (v) to make or grant offers, agreements and options which might require the exercise of such powers; and

   (vi) in the case of an offer or issue of shares to the shareholders of the Company, excluding shareholders who are residents outside the PRC or the Hong Kong

Notice of 2008 Annual General Meeting

Special Administrative Region ("**Hong Kong**") on account of prohibitions or requirements under overseas laws or regulations or for some other reasons which the Board considers expedient;

(b) upon the exercise of the powers granted under paragraph (a), the Board may during the "Relevant Period" make or grant offers, agreements and options which might require the shares relating to the exercise of the authority thereunder being allotted and issued after the expiry of the "Relevant Period";

(c) the aggregate amount of each of the domestic shares and the overseas listed foreign shares to be allotted or conditionally or unconditionally agreed to be allotted (whether pursuant to the exercise of options or otherwise) by the Board pursuant to the authority granted under paragraph (a) above (excluding any shares which may be allotted upon the conversion of the capital reserve into capital in accordance with the Company Law of the PRC or the Articles of Association) shall not exceed 20 per cent (20%) of the number of each of the domestic shares and the overseas listed foreign shares of the Company in issue respectively as at the date of passing of this Resolution;

(d) the Board in exercising the powers granted under paragraph (a) above shall (i) comply with the Company Law of the PRC, other applicable laws and regulations of the PRC, and the Listing Rules (in each case, as amended from time to time) and (ii) be subject to the approvals of China Securities Regulatory Commission ("**CSRC**") and relevant authorities of the PRC;

(e) for the purposes of this Resolution, "Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earliest of:

  (i) the conclusion of the next annual general meeting of the Company; or

  (ii) the date on which the powers granted by this Resolution are revoked or varied by a special resolution of the Company in general meeting; or

  (iii) the date falling 12 months from the date of passing of this Resolution;

(f) the Board shall, subject to the relevant approvals of the relevant authorities and the exercise of the powers granted under paragraph (a) above in accordance with the Company Law and other applicable laws and regulations of the PRC, increase the Company's registered capital to such amount as shall equal the aggregate nominal amounts of the relevant number of shares allotted and issued upon the exercise of the powers granted under paragraph (a) of this Resolution, provided that the registered capital of the Company shall not exceed 120 per cent (120%) of the amount of registered capital of the Company as at the date of passing of this Resolution;

(g) subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the H Shares in the Company's share capital proposed to

Notice of 2008 Annual General Meeting

be issued by the Company and to the approval of CSRC for the issue of shares, the Board be and it is hereby authorised to amend, as it may deem appropriate and necessary, Articles 23, 24 and 27 of the Articles of Association to reflect the change in the share capital structure of the Company in the event of an exercise of the powers granted under paragraph (a) to allot and issue new shares."

(The purpose of this resolution is to grant a general mandate by the Annual General Meeting to the Board to allot and issue new shares subject to applicable laws, regulations and rules.)

9. To consider and approve the resolutions regarding the issue of corporate bonds by way of special resolutions, each as a separate resolution:

(1) Issuing amount: the Company will issue corporate bonds ("**Corporate Bonds**") with face value in the aggregate principal amount of not exceeding RMB9.5 billion in the PRC;

(2) Maturity of the Corporate Bonds: the Corporate Bonds may be issued in a single type with only one maturity date or in mixed types with different maturity dates of 5 years, 7 years and 10 years. The Board be and is hereby granted the authority to determine the details of the maturity structure of the Corporate Bonds mentioned above and the size of issue in accordance with the relevant regulations and market conditions;

(3) Interest rate of the Corporate Bonds and its determination: interest rate of the Corporate Bonds will be determined by the Company and its principal underwriter (sponsor) upon enquiries of interest rates in the market and within the interest range as permitted by the State Council of the PRC;

(4) Issue price of the Corporate Bonds: to be issued at the face value with denomination of RMB100;

(5) Use of proceeds: the proceeds to be raised from the issue of the Corporate Bonds will be applied in repayment of bank loans for improving the Company's financial structure and to replenish the Company's current capital;

(6) Arrangement of placing to the existing holders of the Company's A shares: the Corporate Bonds may be placed to the existing holders of the Company's A shares. The Board be and is hereby granted the authority to determine the detailed arrangements for placing (including whether or not there will be placing arrangement and ratio of the placing, etc.) according to the market situation and detailed terms of the issue;

(7) Validity period of the resolutions regarding the issue of the Corporate Bonds: the validity period of the resolutions regarding the issue of the Corporate Bonds shall be 24 months from the date on which the resolutions are passed at the Annual General Meeting;

(8) Authorization of the issue

Notice of 2008 Annual General Meeting

Upon the approval and authority regarding the following items (a) to (i) shall be obtained at the Annual General Meeting, the Board be and is granted the authority to authorize two executive Directors of the Company to handle the relevant matters in relation to the issue of the Corporate Bonds according to the specific needs of the Company and other market conditions:

(a) so far as permitted by laws and regulations and based on the Company's situation and the market conditions, to formulate the detailed plan for the issue of Corporate Bonds and to amend and modify the terms of issue of the Corporate Bonds, including but not limited to all matters in relation to the terms of issue such as the issuing amount, maturity of Corporate Bonds, interest rate of Corporate Bonds or its determination, the timing of issue, whether or not the issue will be carried out by multi-tranches and the number of tranches, whether or not to devise terms for repurchase and redemption, matters regarding guarantees, periods and mode for repayment of principal and payment of interests, detailed arrangements of placing, and the place of listing of the Corporate Bonds, etc;

(b) to appoint intermediaries to handle the reporting matters of the issue of the Corporate Bonds;

(c) to select trust manager of the Corporate Bonds, to sign the agreement for trust management of the Corporate Bonds and to formulate the regulations of bondholders' meeting;

(d) to sign the contracts, agreements and documents in relation to the issue of the Corporate Bonds, and to disclose information in an appropriate manner;

(e) to authorize the Board to make corresponding amendment to the relevant matters regarding the proposal of the issue of the Corporate Bonds based on the feedback of the PRC regulatory authorities in event of any changes in the PRC regulatory authorities' policy on issues of corporate bonds or market conditions, other than the matters which shall be subject to approval by the shareholders in general meeting pursuant to the requirements of law, regulations and the Articles of Association;

(f) upon the completion of the issue, to handle the matters in relation to listing of the Corporate Bonds;

(g) to adopt such measures for securing the repayment of the Corporate Bonds, including not to distribute profits to shareholders according to the requirements of the relevant laws and regulations, if, during the term of the Corporate Bonds, it is expected that the Company may not be able to repay principal and interests of the Corporate Bonds or the Company fails to repay principal and interests of the Corporate Bonds when they become due;

(h) to handle other matters in relation to the issue of Corporate Bonds;

Notice of 2008 Annual General Meeting

(i) this authority shall be valid from the date of its approval at the Annual General Meeting to the date on which the above authorized matters shall be completed.

By order of the Board
Anhui Conch Cement Company Limited
Zhang Mingjing
Company Secretary

Wuhu City, Anhui Province, the PRC
15 April 2009

Notes:

1. Persons entitled to attend the Annual General Meeting

   Holders of H Shares whose names appear on the register of members maintained by Hong Kong Registrars Limited at 4:30 p.m., Tuesday, 5 May 2009 are entitled to attend the Annual General Meeting after completing the registration procedures for the meeting.

2. Registration for attendance at Annual General Meeting

   (1) Holders of H shares who intend to attend the Annual General Meeting have to complete (without prejudice to their right of attendance) the reply slip attached, deposit the same, together with the copies of the transfers, share certificates or receipts of share transfer and their identity cards, at the office of the Company or the Company's H share registrar–Hong Kong Registrars Limited by Friday, 15 May 2009.

   (2) Shareholders may deliver the documents required for registration in person, by mail or by facsimile. Upon receipt of the requisite documents for registration, the Company will complete the registration procedures for attendance at the Annual General Meeting on behalf of the shareholders and send a duplicate copy of the meeting attendance card to the shareholders by mail or by facsimile. Shareholders attending the meeting must produce the duplicate copy or facsimile copy of the meeting attendance cards and exchange them for formal meeting attendance cards.

3. Appointment of proxies

   (1) Each shareholder who has the right to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies in writing, whether they are shareholders of the Company or not, to attend and vote on his/her behalf at the Annual General Meeting.

   (2) Proxies of the shareholders must be appointed in writing and the appointment must be signed by the shareholder or their agent who has been duly authorised in writing. If the instrument of the appointment of proxy is signed by an agent of the shareholder, the power of attorney or other authority of the agent must be notarially certified. In order to be valid, the notarially certified copy of such power of attorney or other authority, together with the instrument of the appointment of proxy, shall be deposited at the Company's H share registrar–Hong Kong Registrars Limited, not less than 24 hours before the time appointed for holding of the Annual General Meeting.

4. The register of members of the Company for H shares will be closed from Wednesday, 6 May 2009 to Friday, 5 June 2009, both days inclusive. In order to qualify for attendance at the Annual General Meeting and for entitlement of the proposed final dividend, transfers accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar–Hong Kong Registrars Limited, by 4:30 p.m. on Tuesday, 5 May 2009.

Notice of 2008 Annual General Meeting

5. Upon the approval of the Annual General Meeting, the final dividend for the year ended 31 December 2008 is expected to be distributed on 25 June 2009 (Thursday) to the H-share shareholders whose name appeared on the register of member on 6 May 2009 (Wednesday). The record date of the proposed final dividend for A-share shareholders and the relevant information on the distribution of dividend will be disclosed in a separate announcement to be published in the PRC.

6. The Annual General Meeting is expected to take half day. Shareholders or their proxies attending the Annual General Meeting should bear their own lodging and travelling costs.

7. Contact details of the Company are set out as follows:–

   Address: No. 1011 Jiuhuashan South Road, Wuhu City, Anhui, the PRC
   Postal code: 241070
   Tel: 86-553-8398927
   Fax: 86-553-8398931

8. Contact details of the Company's H share register – Hong Kong Registrars Limited are set out as follows:–

   Address: 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
   Tel: 852 2862 8628
   Fax: 852 2529 6087

Independent Auditor's Report

KPMG

To the shareholders of
Anhui Conch Cement Company Limited
(Incorporated in The People's Republic of China with limited liability)

We have audited the consolidated financial statements of Anhui Conch Cement Company Limited (the "Company") set out on pages 88 to 186, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2009

Consolidated Income Statement

for the year ended 31 December 2008
(Expressed in Renminbi Yuan)

	Note	**2008** **RMB'000**	2007 RMB'000
Revenue	4,13	**24,228,268**	18,776,098
Cost of sales and services rendered		**(18,320,590)**	(13,047,187)
Gross profit		**5,907,678**	5,728,911
Other revenue	5	**324,303**	325,901
Other net income	5	**60,719**	17,343
Selling and marketing costs		**(1,366,425)**	(1,219,228)
Administrative expenses		**(840,435)**	(722,049)
Profit from operations		**4,085,840**	4,130,878
Finance costs	6(a)	**(820,758)**	(633,161)
Share of profits of associates		**4,356**	3,706
Share of losses of jointly controlled entities		**(351)**	–
Profit before taxation	6	**3,269,087**	3,501,423
Income tax	7(a)	**(591,080)**	(813,197)
Profit for the year		**2,678,007**	2,688,226
Attributable to:			
Equity shareholders of the Company	10,36(a)	**2,607,223**	2,480,146
Minority interests	36(a)	**70,784**	208,080
Profit for the year	36(a)	**2,678,007**	2,688,226
Dividends payable to equity shareholders of the Company attributable to the year:	11		
Final dividend proposed after the balance sheet date		**529,930**	–
Earnings per share	12		
– Basic		**RMB1.55**	RMB1.69
– Diluted		**RMB1.55**	RMB1.69

The notes on pages 97 to 186 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2008
(Expressed in Renminbi Yuan)

	Note	**2008** RMB'000	**2008** RMB'000	2007 RMB'000	2007 RMB'000
Non-current assets					
Fixed assets	14(a)				
– Property, plant and equipment			**25,166,895**		21,469,915
– Interests in leasehold land held for own use under operating leases			**1,263,652**		999,377
			26,430,547		22,469,292
Intangible assets	15(a)		**248,203**		231,520
Goodwill	16		**16,120**		16,120
Interest in associates	18		**163,281**		162,925
Interest in jointly controlled entities	19		**159,649**		–
Loans and receivables	20		**222,745**		199,306
Other investments in equity securities	21		**10**		10
Available-for-sale equity securities	22		**1,201,757**		326,901
Deferred tax assets	33(b)		**68,970**		79,642
			28,511,282		23,485,716
Current assets					
Inventories	23	**1,870,366**		1,562,552	
Trade receivables	24	**4,203,103**		3,470,929	
Prepayments and other receivables	25	**635,605**		530,464	
Amounts due from related parties	27	**344,846**		423,140	
Tax recoverable	33(a)	**19,170**		30,799	
Restricted cash deposits		**48,153**		5,977	
Cash at bank and in hand		**6,751,211**		1,411,707	
		13,872,454		7,435,568	
Current liabilities					
Trade payables	28	**3,470,634**		1,930,814	
Other payables and accruals	29	**2,395,096**		2,240,716	
Bank loans and other borrowings	31	**4,795,176**		4,937,633	
Amounts due to related parties	27	**220,313**		108,013	
Current portion of long-term payables	34	**7,325**		9,156	
Current taxation	33(a)	**285,686**		406,998	
		11,174,230		9,633,330	
Net current assets/(liabilities)			**2,698,224**		(2,197,762)
Total assets less current liabilities			**31,209,506**		21,287,954

Consolidated Balance Sheet *(continued)*

at 31 December 2008
(Expressed in Renminbi Yuan)

	Note	2008		2007	
		RMB'000	**RMB'000**	RMB'000	RMB'000
Non-current liabilities					
Bank loans and other borrowings	30(a)	**6,033,455**		9,822,027	
Long-term payables	34	**33,231**		50,053	
Deferred income	35	**235,593**		148,441	
Deferred tax liabilities	33(b)	**19,907**		20,331	
			6,322,186		10,040,852
NET ASSETS			**24,887,320**		11,247,102
CAPITAL AND RESERVES	36(a)				
Share capital			**1,766,434**		1,566,434
Reserves			**22,655,039**		9,216,479
Total equity attributable to equity shareholders of the Company			**24,421,473**		10,782,913
Minority interests			**465,847**		464,189
TOTAL EQUITY			**24,887,320**		11,247,102

Approved and authorised for issue by the board of directors on 30 March 2009.

Guo Wen San
Directors

Guo Jing Bin
Directors

The notes on pages 97 to 186 form part of these financial statements.

Balance Sheet

at 31 December 2008
(Expressed in Renminbi Yuan)

	Note	**2008**		2007	
		RMB'000	**RMB'000**	RMB'000	RMB'000
Non-current assets					
Fixed assets	14(b)				
– Property, plant and equipment			**1,050,089**		641,104
– Interests in leasehold land held for own use under operating leases			**53,218**		54,412
			1,103,307		695,516
Intangible assets	15(b)		**17,863**		5,243
Investments in subsidiaries	17		**14,243,378**		13,054,151
Interest in associates	18		**157,429**		157,429
Interest in jointly controlled entities	19		**160,000**		–
Other investments in equity securities	21		**10**		10
Available-for-sale equity securities	22		**1,201,757**		326,901
Deferred tax assets	33(b)		**11,285**		15,086
			16,895,029		14,254,336
Current assets					
Inventories	23	**231,818**		64,593	
Trade receivables	24	**1,455,589**		922,835	
Prepayments and other receivables	25	**45,389**		55,816	
Amounts due from subsidiaries	26	**7,078,748**		3,858,477	
Amounts due from related parties	27	**8,400**		–	
Restricted cash deposits		**42,981**		3,891	
Cash at bank and in hand		**5,395,169**		469,639	
		14,258,094		5,375,251	
Current liabilities					
Trade payables	28	**1,399,164**		649,232	
Other payables and accruals	29	**241,173**		155,863	
Bank loans and other borrowings	31	**1,388,950**		463,214	
Amounts due to subsidiaries	26	**2,344,547**		3,572,441	
Amounts due to related parties	27	**106,128**		108,013	
Current taxation	33(a)	**37,756**		26,558	
		5,517,718		4,975,321	
Net current assets			**8,740,376**		399,930
Total assets less current liabilities			**25,635,405**		14,654,266

Balance Sheet *(continued)*

at 31 December 2008
(Expressed in Renminbi Yuan)

	Note	2008 RMB'000	2008 RMB'000	2007 RMB'000	2007 RMB'000
Non-current liabilities					
Bank loans and other borrowings	30(a)	**1,300,000**		2,650,000	
Deferred income	35	**17,926**		12,692	
			1,317,926		2,662,692
NET ASSETS			**24,317,479**		11,991,574
CAPITAL AND RESERVES	36(b)				
Share capital			**1,766,434**		1,566,434
Reserves			**22,551,045**		10,425,140
TOTAL EQUITY			**24,317,479**		11,991,574

Approved and authorised for issue by the board of directors on 30 March 2009.

Guo Wen San
Directors

Guo Jing Bin
Directors

The notes on pages 97 to 186 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2008
(Expressed in Renminbi Yuan)

	Note	**2008 RMB'000**	2007 RMB'000
Total equity at 1 January		**11,247,102**	8,584,977
Net income recognised directly in equity:			
Change in fair value of available-for-sale equity securities	36(a)	**(241,102)**	228,882
Net profit for the year	36(a)	**2,678,007**	2,688,226
Total recognised income and expense for the year		**2,436,905**	2,917,108
Attributable to:			
Equity shareholders of the Company		**2,366,121**	2,709,028
Minority interests		**70,784**	208,080
Dividend declared and approved during the year	36(a)	**–**	(251,136)
Dividends declared by non-wholly owned subsidiaries to minority shareholders	36(a)	**(54,275)**	(3,847)
		(54,275)	(254,983)
Movements in equity arising from capital transactions:			
New shares issued	36(a)	**11,282,057**	–
Acquisition of minority interests	36(a)	**(24,469)**	–
		11,257,588	–
Total equity at 31 December		**24,887,320**	11,247,102

The notes on pages 97 to 186 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2008
(Expressed in Renminbi Yuan)

	Note	**2008** RMB'000	**2008** RMB'000	2007 RMB'000	2007 RMB'000
Operating activities					
Profit before taxation		**3,269,087**		3,501,423	
Adjustments for:					
– Depreciation	14(a)	**1,402,632**		1,110,079	
– Impairment loss on trade and other receivables	6(c)	**(977)**		2,856	
– Amortisation of interest in leasehold land held for own use under operating leases	14(a)	**24,556**		22,526	
– Amortisation of intangible assets	15(a)	**12,966**		10,906	
– Finance costs	6(a)	**820,758**		633,161	
– Interest income	5	**(72,862)**		(23,607)	
– Share of profits of associates		**(4,356)**		(3,706)	
– Share of losses of jointly controlled entities		**351**		–	
– Net (gain)/loss on disposal of fixed assets	5	**(3,682)**		5,994	
– Gain on disposal of other investment in equity securities	5	**–**		(532)	
– Net realised gain on trading securities	5	**(12,202)**		–	
– Transfer from equity on disposal of available-for-sale securities	5	**(32,352)**		–	
Operating profit before changes in working capital		**5,403,919**		5,259,100	
Increase in inventories		**(307,814)**		(289,673)	
Increase in trade receivables		**(731,014)**		(2,527,567)	
(Increase)/decrease in prepayments and other receivables		**(102,873)**		67,420	
Increase in amounts due from related parties		**(5,536)**		(7,255)	
Increase in trade payables		**1,539,820**		911,307	
Increase in other payables and accruals		**94,470**		66,754	
(Decrease)/increase in amounts due to related parties		**(2,583)**		6,507	
(Decrease)/increase in long-term payables		**(18,653)**		10,706	
Increase in deferred income		**87,152**		19,623	
Cash generated from operations carried forward		**5,956,888**		3,516,922	

Consolidated Cash Flow Statement *(continued)*

for the year ended 31 December 2008
(Expressed in Renminbi Yuan)

	Note	2008 RMB'000	2008 RMB'000	2007 RMB'000	2007 RMB'000
Operating activities *(continued)*					
Cash generated from operations brought forward		**5,956,888**		3,516,922	
– Income tax paid		**(690,515)**		(849,885)	
– Interest paid		**(913,603)**		(735,563)	
Net cash generated from operating activities			**4,352,770**		1,931,474
Investing activities					
Payment for the purchase of fixed assets		**(4,835,511)**		(5,386,450)	
Proceeds from disposal of fixed assets		**34,338**		23,706	
Payment for the purchase of interest in leasehold land held for own use under operating leases		**(280,831)**		(152,551)	
Payment for purchase of intangible assets		**(36,164)**		(43,450)	
Payment for purchase of trading securities		**(41,771)**		–	
Proceeds from disposal of trading securities		**53,973**		–	
Payment for purchase of held-to-maturity investments		**(1,500,000)**		–	
Proceeds from held-to-maturity investments		**1,500,000**		–	
New loans to government		**(46,841)**		(134,625)	
Repayment of loans from government		**12,417**		32,132	
Payment for purchase of available-for-sale equity securities		**(1,386,171)**		(98,019)	
Proceeds from disposal of available-for-sale equity securities		**302,565**		–	
Interest received		**72,862**		23,607	
Cash generated from investing activities carried forward		**(6,151,134)**		(5,735,650)	

Consolidated Cash Flow Statement *(continued)*

for the year ended 31 December 2008
(Expressed in Renminbi Yuan)

		2008		2007	
	Note	**RMB'000**	**RMB'000**	RMB'000	RMB'000
Investing activities *(continued)*					
Cash generated from investing activities brought forward		**(6,151,134)**		(5,735,650)	
Payment for the purchase of interest in jointly controlled entities		**(160,000)**		–	
Proceeds from disposal of other investment in equity securities		**–**		690	
Dividends received from an associate		**4,000**		4,000	
Payment for acquisition of minority interests		**(10,709)**		–	
Increase in restricted cash deposits		**(42,176)**		(2,598)	
Net cash used in investing activities			**(6,360,019)**		(5,733,558)
Financing activities					
Proceeds from new shares issued		**11,282,057**		–	
Proceeds from new bank loans and other borrowings		**5,098,414**		7,684,133	
Repayment of bank loans and other borrowings		**(9,029,443)**		(3,550,592)	
Dividends paid to minority shareholders of non-wholly owned subsidiaries		**(4,275)**		(3,847)	
Dividends paid to equity shareholders of the Company		**–**		(251,136)	
Net cash generated from financing activities			**7,346,753**		3,878,558
Net increase in cash and cash equivalents			**5,339,504**		76,474
Cash and cash equivalents at 1 January			**1,411,707**		1,335,233
Cash and cash equivalents at 31 December			**6,751,211**		1,411,707

The notes on pages 97 to 186 form part of these financial statements.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1 GENERAL INFORMATION

Anhui Conch Cement Company Limited (the “Company”) was incorporated in The People’s Republic of China (the “PRC”) on 1 September 1997 as a joint stock limited company. The Company and its subsidiaries are collectively referred to as the Group. The principal activities of the Group are the manufacture and sale of clinkers and cement products.

The registered office of the Company is 209 East Beijing Road, Wuhu City, Anhui Province, the PRC.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2009.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) promulgated by the International Accounting Standards Board (“IASB”). IFRSs include all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and related interpretations. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries and the Group’s interest in associates and jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– financial instruments classified as available-for-sale or as trading securities (see note 2(f)); and

– derivative financial instruments (see note 2(g)).

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2(z)).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 44.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and minority interests (continued)

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Acquisition of minority interests in subsidiaries is treated as a transaction between equity holders. No gain or loss is recognised in the consolidated income statement on such changes. Assets and liabilities of the subsidiaries in which the Group subsequently increased its ownership interests are stated at carrying amount. The differences between the cost of acquisition and the carrying amount of the net assets additionally acquired are directly recognised in equity.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)), unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(z)).

(d) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(z)). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the year (see notes 2(e) and 2(m)).

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates and jointly controlled entities (continued)

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, its investments in associates and jointly controlled entities are stated at cost less impairment losses (see note 2(m)), unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(z)).

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(m)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in profit or loss.

On disposal of a cash-generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends earned on these investments as these are recognised in accordance with the policies set out in note 2(v)(ii).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses (see note 2(m)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(m)).

Investments in equity securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity. Dividend income from these investments is recognised in accordance with the policy set out in note 2(v)(ii). When these investments are derecognised or impaired (see note 2(m)), the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leasehold land held for own use under operating leases

All land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as leasehold land held for own use under operating leases, which are amortised over the period of lease term on a straight-line basis.

(i) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(m)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(y)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Buildings	30 years
–	Plant and machinery	15 years
–	Furniture, fixtures and office equipment	5 years
–	Vehicles	5-10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Construction-in-progress

Construction-in-progress represents buildings and plant under construction and machinery and equipment under installation and testing, and is stated at cost less accumulated impairment loss, if any. The cost includes cost of construction, plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent these are regarded as an adjustment to borrowing costs (see note 2(y)).

Construction-in-progress is not depreciated until such time as the assets are completed and ready for operational use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in note 2(i).

(k) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(m)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives from the date they are available for use. The estimated useful lives of the intangible assets are as follows:

– limestone and clay mining rights	5-30 years
– others	5-10 years

Both the period and method of amortisation are reviewed annually.

(l) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries, associates and jointly controlled entities: see note 2(m)(ii)) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale equity securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and notes receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and notes receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– construction-in-progress;

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– pre-paid interests in leasehold land classified as being held under an operating lease;

– intangible assets;

– investments in subsidiaries, associates and joint ventures (except for those classified as held for sale or included in a disposal group that is classified as held for sale) (see note 2(z)); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Reversals of impairment losses (continued)

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(m)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(n) Inventories

Inventories, other than spare parts and consumables, are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Inventories (continued)

Spare parts and consumables are stated at cost less any provision for obsolescence.

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(m)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(u)(i), trade and other payables are subsequently, stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(s) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Employee benefits (continued)

In accordance with the rules and regulations in the PRC, the Group has arranged for its local employees to join defined contribution retirement plans organised by the PRC government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under the plans. The assets of those plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group is required to make monthly defined contributions to these plans at certain rates of their total salary subject to a certain ceiling. The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments disclosed above.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Notes to the financial statements
(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(u)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(u)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(u)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Financial guarantees issued, provisions and contingent liabilities (continued)

(iii) Other provisions and contingent liabilities (continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income in the balance sheet and consequently recognised in profit or loss over the useful life of the asset.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Repairs and maintenance

Expenditure on repairs and maintenance is charged to profit or loss as and when incurred.

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(y) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(z) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Non-current assets held for sale (continued)

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognized at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, and financial assets (other than investments in subsidiaries, associates and joint ventures). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognized in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(aa) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(bb) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following new Interpretations and an amendment to IFRSs that are first effective for the current accounting period of the Group and the Company:

- IFRIC 11, IFRS 2 – Group and treasury share transactions
- IFRIC 12, Service concession arrangements
- IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction
- Amendment to IAS 39, Financial instruments: Recognition and measurement, and IFRS 7, Financial instruments: Disclosures – Reclassification of financial assets

These IFRS developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's and the Company's operations.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES (continued)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 44).

4 REVENUE

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.

	2008	2007
	RMB'000	RMB'000
Sales of clinkers and cement products	**23,926,991**	18,511,216
Sales of chemical and other products	**215,825**	228,093
Other service income	**85,452**	36,789
	24,228,268	18,776,098

5 OTHER REVENUE AND NET INCOME

	2008	2007
	RMB'000	RMB'000
Other revenue		
Interest income from held-to-maturity unlisted investments	**8,325**	–
Other interest income	**64,537**	23,607
Total interest income on financial assets not at fair value through profit or loss	**72,862**	23,607
Subsidy income	**251,441**	302,294
	324,303	325,901

Subsidy income comprises government grants received and refunds of value-added tax in connection with certain cement sales.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

5 OTHER REVENUE AND NET INCOME (continued)

	2008 RMB'000	2007 RMB'000
Other net income		
Net gain/(loss) on disposal of fixed assets	**3,682**	(5,994)
Net realised gain on trading securities	**12,202**	–
Transfer from equity on disposal of available-for-sale securities	**32,352**	–
Gain on disposal of other investment in equity securities	**–**	532
Net exchange gain	**9,001**	4,701
Others	**3,482**	18,104
	60,719	17,343

6 PROFIT BEFORE TAXATION

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

	2008 RMB'000	2007 RMB'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	**775,269**	659,392
Interest on bank advances and other borrowings wholly repayable after five years	**79,892**	51,937
Interest on discount of notes receivable	**58,391**	31,176
Total interest expense on financial liabilities not at fair value through profit or loss	**913,552**	742,505
Less: Interest expense capitalised into construction-in-progress*	**(92,794)**	(109,344)
	820,758	633,161

* Borrowing costs have been capitalised at a rate of 4.86%-7.04% (2007: 5.02%-6.88%) per annum.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

6 PROFIT BEFORE TAXATION (continued)

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

	Note	**2008** **RMB'000**	2007 RMB'000
(b) Staff costs			
Contributions to defined contribution retirement plans		**98,065**	66,805
Salaries, wages and other benefits		**762,216**	572,182
Other compensation	34(a)	**–**	23,655
		860,281	662,642

	2008 **RMB'000**	2007 RMB'000
(c) Other items		
Recognition of deferred income in respect of government grant received	**(19,501)**	(12,597)
Amortisation		
– interest in leasehold land held for own use under operating leases	**24,556**	22,526
– intangible assets	**12,966**	10,906
Depreciation	**1,402,632**	1,110,079
Impairment losses/(reversal of impairment losses) on		
– trade receivables	**(1,160)**	(3,673)
– prepayments and other receivables	**183**	6,529
Auditors' remuneration		
– audit services	**4,230**	8,810
– other services	**20**	30

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2008 RMB'000	2007 RMB'000
Current tax-PRC Enterprise Income Tax		
Provision for the year	**568,194**	826,579
Under-provision in respect of prior years	**12,638**	15,860
	580,832	842,439
Deferred tax		
Origination and reversal of temporary differences	**10,248**	(44,243)
Effect of decrease in tax rate on deferred tax balances at 31 December	**–**	15,001
	10,248	(29,242)
	591,080	813,197

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

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 regulations of the PRC except for:

Shanghai Conch Cement Sales Co., Ltd. 上海海螺水泥銷售有限公司 (Note i)	18%
Shanghai Mingzhu Conch Cement Co., Ltd 上海明珠海螺水泥有限責任公司 (Note i)	18%
Shanghai Conch Construction Material International Trading Co., Ltd. 上海海螺建材國際貿易有限公司 (Note i)	18%
Prosperity Conch Cement Co., Ltd. 英德海螺水泥有限責任公司 (Note ii)	12.5%
Xinye Kuiyang Conch Cement Co., Ltd. 興業葵陽海螺水泥有限責任公司 (Note iii)	0%
Fusui Xinning Conch Cement Co., Ltd. 扶綏新寧海螺水泥有限責任公司 (Note iv)	0%
Beiliu Conch Cement Co., Ltd. 北流海螺水泥有限責任公司 (Note v)	0%

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

(a) Taxation in the consolidated income statement represents: (continued)

Notes:

(i) Starting from 2008, Shanghai Conch Cement Sales Co., Ltd., Shanghai Mingzhu Conch Cement Co., Ltd. and Shanghai Conch Construction Material International Trading Co., Ltd., have five years to transit to the 25% statutory Enterprise Income Tax rate, 18% for the year 2008, 20% for the year 2009, 22% for the year 2010, 24% for the year 2011, and 25% for the year 2012 and thereafter. The Enterprise Income Tax rate applicable to these subsidiaries in 2008 is therefore 18%.

(ii) Prosperity Conch Cement Co., Ltd. is a sino-foreign enterprise. In 2006, Prosperity Conch Cement Co., Ltd. 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. 2008 is the third profitable year of Prosperity Conch Cement Co., Ltd. The applicable Enterprise Income Tax rate in 2008 is therefore 12.5%.

(iii) Xinye Kuiyang Conch Cement Co., Ltd. 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%.

(iv) Fusui Xinning Conch Cement Co., Ltd. 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%.

(v) Beiliu Conch Cement Co., Ltd. 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%.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	2008 **RMB'000**	2007 RMB'000
Profit before taxation	**3,269,087**	3,501,423
Notional tax on profit before taxation calculated at 25% (2007: 33%)	**817,272**	1,155,470
Tax effect of tax exemption enjoyed by subsidiaries	**(106,969)**	(303,353)
Tax effect of different tax rates applicable to subsidiaries	**(40,784)**	(19,816)
Tax effect of non-deductible expenses	**4,460**	14,303
Tax effect of non-taxable income	**(6,836)**	(7,902)
Tax effect of prior years' tax losses utilised during the year	**–**	(4,684)
Tax effect of recognising prior years' unrecognised timing differences	**–**	(34,172)
Tax effect of unused tax losses not recognised	**2,341**	–
Income tax credits granted to subsidiaries	**(91,042)**	(17,510)
Under-provision in prior years	**12,638**	15,860
Effect of decrease in tax rate on deferred tax	**–**	15,001
Actual tax expense	**591,080**	813,197

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement plan contributions RMB'000	2008 Total RMB'000
Chairman					
Guo Wensan*	–	–	–	–	–
Executive directors					
Yu Biao*	–	–	–	–	–
Li Shunan*	–	–	–	–	–
Guo Jingbin*	–	–	–	–	–
Ren Yong	–	94	566	12	672
Independent non-executive directors					
Kang Woon	–	50	–	–	50
Ding Meicai*	–	–	–	–	–
Chan Yuk Tong	–	100	–	–	100
Supervisors					
Wang Jun*	–	–	–	–	–
Wang Yanmou	–	30	–	–	30
Ding Junting*	–	–	–	–	–
Ding Feng	–	102	271	12	385
Guan Dali*	–	–	–	–	–
	–	376	837	24	1,237

* No remuneration is paid or payable by the Group for the year. In addition, no remuneration is due to these directors and supervisors in respect of their services in connection with the management of the affairs of the Group.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

8 DIRECTORS' REMUNERATION (continued)

	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement plan contributions RMB'000	2007 Total RMB'000
Chairman					
Guo Wensan*	–	–	–	–	–
Executive directors					
Yu Biao*	–	–	–	–	–
Li Shunan*	–	–	–	–	–
Guo Jingbin*	–	–	–	–	–
Ren Yong	–	92	447	9	548
Independent non-executive directors					
Kang Woon	–	50	–	–	50
Ding Meicai	–	50	–	–	50
Chan Yuk Tong	–	100	–	–	100
Supervisors					
Wang Jun*	–	–	–	–	–
Wang Yanmou	–	30	–	–	30
Ding Junting	–	77	100	9	186
	–	399	547	18	964

* No remuneration is paid or payable by the Group for the year. In addition, no remuneration is due to these directors and supervisor in respect of their services in connection with the management of the affairs of the Group.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none of them (2007: nil) is a director whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the five (2007: five) individuals with highest emoluments are as follows:

	2008 RMB'000	2007 RMB'000
Salaries and other emoluments	**492**	520
Discretionary bonuses	**4,902**	3,606
Retirement plan contributions	**60**	44
	5,454	4,170

The emoluments of the five (2007: five) individuals with the highest emoluments are within the following bands:

	2008 Number of individuals	2007 Number of individuals
Nil – RMB 881,900 (equivalent to HK$1,000,000)	**–**	5
RMB 881,901 (equivalent to HK$1,000,001) – RMB 1,322,850 (equivalent to HK$1,500,000)	**5**	–

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB256,301,000 which has been dealt with in the financial statements of the Company.

11 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year:

	2008 RMB'000	2007 RMB'000
Final dividend proposed after the balance sheet date of RMB 0.30 per ordinary share (2007: nil)	**529,930**	–

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

11 DIVIDENDS (continued)

(a) Dividends payable to equity shareholders of the Company attributable to the year: (continued)

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2008 **RMB'000**	2007 RMB'000
No final dividend in respect of the previous financial year, approved and paid during the year (2007: RMB 0.20 per ordinary share)	**–**	251,136

12 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 year ended 31 December 2008 of RMB2,607,223,000 (2007: RMB2,480,146,000) and the weighted average number of shares in issue during the year ended 31 December 2008 of 1,683,101,000 (2007: 1,470,434,000).

Weighted average number of ordinary shares

	2008 **thousand**	2007 thousand
Ordinary shares issued at 1 January	**1,566,434**	1,278,435
Shares issued in April 2007 for acquisition of minority interests	**–**	191,999
Shares issued in May 2008	**116,667**	–
Weighted average number of ordinary shares at 31 December	**1,683,101**	1,470,434

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

12 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the years ended 31 December 2008 and 2007.

13 SEGMENT REPORTING

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 sale of clinkers and cement products.

Geographical segments

The Group's assets are all located in the PRC, which is considered as one geographic location with similar risks and returns.

	2008 **RMB'000**	2007 RMB'000
Revenue from external customers		
– the PRC	**21,531,460**	15,853,136
– others	**2,696,808**	2,922,962
	24,228,268	18,776,098

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

14 FIXED ASSETS

(a) The Group

	Buildings held for own use	Plant and machinery	Furniture, fixtures and office equipment	Vehicles	Construction-in-progress	Sub-total	Interest in leasehold land held for own use under operating leases	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:								
At 1 January 2007	7,210,635	11,528,947	373,513	441,694	2,137,914	21,692,703	960,431	22,653,134
Additions	120,186	28,859	5,126	36,914	5,298,192	5,489,277	152,551	5,641,828
Transfer from construction-in-progress	1,799,930	2,982,264	22,829	21,346	(4,826,369)	–	–	–
Disposals	(43,796)	(61,390)	(164)	(5,402)	–	(110,752)	–	(110,752)
Reclassifications	(9,227)	–	–	–	–	(9,227)	9,227	–
At 31 December 2007	9,077,728	14,478,680	401,304	494,552	2,609,737	27,062,001	1,122,209	28,184,210
At 1 January 2008	9,077,728	14,478,680	401,304	494,552	2,609,737	27,062,001	1,122,209	28,184,210
Additions	106,206	215,360	14,423	88,613	4,705,666	5,130,268	288,831	5,419,099
Transfer from construction-in-progress	1,652,483	2,895,780	12,942	22,404	(4,583,609)	–	–	–
Disposals	(25,444)	(28,400)	(1,255)	(21,199)	–	(76,298)	–	(76,298)
At 31 December 2008	10,810,973	17,561,420	427,414	584,370	2,731,794	32,115,971	1,411,040	33,527,011
Accumulated depreciation and impairment:								
At 1 January 2007	1,085,485	3,007,330	249,412	220,834	551	4,563,612	100,306	4,663,918
Charge for the year	249,738	769,756	36,356	54,229	–	1,110,079	22,526	1,132,605
Written back on disposals	(23,571)	(56,164)	(563)	(756)	(551)	(81,605)	–	(81,605)
At 31 December 2007	1,311,652	3,720,922	285,205	274,307	–	5,592,086	122,832	5,714,918
At 1 January 2008	1,311,652	3,720,922	285,205	274,307	–	5,592,086	122,832	5,714,918
Charge for the year	308,683	970,903	53,855	69,191	–	1,402,632	24,556	1,427,188
Written back on disposals	(4,038)	(21,428)	(1,190)	(18,986)	–	(45,642)	–	(45,642)
At 31 December 2008	1,616,297	4,670,397	337,870	324,512	–	6,949,076	147,388	7,096,464
Net book value:								
At 31 December 2008	9,194,676	12,891,023	89,544	259,858	2,731,794	25,166,895	1,263,652	26,430,547
At 31 December 2007	7,766,076	10,757,758	116,099	220,245	2,609,737	21,469,915	999,377	22,469,292

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

14 FIXED ASSETS *(continued)*

(a) The Group *(continued)*

(i) Following the directors' assessment of the value in use of the fixed assets, no impairment loss (2007: nil) was recognised by the Group during the year ended 31 December 2008.

(ii) As at 31 December 2008, the carrying amount of interest in leasehold land held for own use under operating leases and property, plant and equipment pledged as security against the Group's non-current borrowings of RMB650,000,000 (2007: RMB650,000,000) amounted to approximately RMB644,616,000 (2007: RMB691,477,000).

As at 31 December 2008, no carrying amount of interest in leasehold land held for own use under operating lease or property, plant and equipment was pledged as security against the Group's current borrowings.

As at 31 December 2007, the carrying amount of interest in leasehold land held for own use under operating lease and property, plant and equipment pledged as security against the Group's current borrowings of RMB 60,000,000 amounted to approximately RMB 63,768,000.

(iii) As at 31 December 2008, application for the registration of interest in leasehold land acquired during the year for own use under operating leases with cost of approximately RMB74,921,000 (2007: RMB60,000,000) was still in progress.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

14 FIXED ASSETS (continued)

(b) The Company

	Buildings held for own use	Plant and machinery	Furniture, fixtures and office equipment	Vehicles	Construction-in-progress	Sub-total	Interest in leasehold land held for own use under operating leases	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:								
At 1 January 2007	355,026	655,645	6,463	30,366	15,228	1,062,728	50,000	1,112,728
Additions	1,706	3,610	468	1,775	68,694	76,253	–	76,253
Transfer from construction-in-progress	3,800	5,187	–	–	(8,987)	–	–	–
Disposals	(16,538)	(11,702)	(46)	(110)	–	(28,396)	–	(28,396)
Reclassifications	(9,227)	–	–	–	–	(9,227)	9,227	–
At 31 December 2007	334,767	652,740	6,885	32,031	74,935	1,101,358	59,227	1,160,585
At 1 January 2008	334,767	652,740	6,885	32,031	74,935	1,101,358	59,227	1,160,585
Transfer from reorganisation of a subsidiary into a branch of the Company	165,833	303,661	3,301	3,025	–	475,820	–	475,820
Additions	368	1,755	351	1,389	10,310	14,173	–	14,173
Transfer from construction-in-progress	6,316	55,740	–	–	(62,056)	–	–	–
Disposals	(1,524)	(13,634)	(250)	(7,826)	–	(23,234)	–	(23,234)
At 31 December 2008	505,760	1,000,262	10,287	28,619	23,189	1,568,117	59,227	1,627,344
Accumulated depreciation and impairment:								
At 1 January 2007	124,958	280,078	5,685	22,962	–	433,683	3,333	437,016
Charge for the year	10,935	32,540	198	2,334	–	46,007	1,482	47,489
Written back on disposals	(9,874)	(9,416)	(36)	(110)	–	(19,436)	–	(19,436)
At 31 December 2007	126,019	303,202	5,847	25,186	–	460,254	4,815	465,069
At 1 January 2008	126,019	303,202	5,847	25,186	–	460,254	4,815	465,069
Charge for the year	20,080	54,658	571	2,644	–	77,953	1,194	79,147
Written back on disposals	(1,231)	(11,084)	(241)	(7,623)	–	(20,179)	–	(20,179)
At 31 December 2008	144,868	346,776	6,177	20,207	–	518,028	6,009	524,037
Net book value:								
At 31 December 2008	360,892	653,486	4,110	8,412	23,189	1,050,089	53,218	1,103,307
At 31 December 2007	208,748	349,538	1,038	6,845	74,935	641,104	54,412	695,516

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

14 FIXED ASSETS (continued)

(b) The Company (continued)

(i) Following the directors' assessment of the value in use of the fixed assets, no impairment loss (2007: nil) was recognised by the Company during the year ended 31 December 2008.

(ii) As at 31 December 2008, the carrying amount of leasehold land held for own use under operating leases and property, plant and equipment pledged as security against the Company's non-current borrowings of RMB650,000,000 (2007: RMB650,000,000) amounted to approximately RMB644,616,000 (2007: RMB 376,843,000).

15 INTANGIBLE ASSETS

(a) The Group

	Limestone mining rights RMB'000	Clay mining rights RMB'000	Others (note) RMB'000	Total RMB'000
Cost:				
At 1 January 2007	226,871	17,776	777	245,424
Additions	42,137	565	748	43,450
At 31 December 2007	269,008	18,341	1,525	288,874
At 1 January 2008	269,008	18,341	1,525	288,874
Additions	28,541	1,000	108	29,649
At 31 December 2008	297,549	19,341	1,633	318,523

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

15 INTANGIBLE ASSETS (continued)

(a) The Group (continued)

	Limestone mining rights RMB'000	Clay mining rights RMB'000	Others (note) RMB'000	Total RMB'000
Accumulated amortisation:				
At 1 January 2007	43,535	2,437	476	46,448
Charge for the year	10,427	389	90	10,906
At 31 December 2007	53,962	2,826	566	57,354
At 1 January 2008	53,962	2,826	566	57,354
Charge for the year	12,373	475	118	12,966
At 31 December 2008	66,335	3,301	684	70,320
Net book value:				
At 31 December 2008	231,214	16,040	949	248,203
At 31 December 2007	215,046	15,515	959	231,520

Note: Others mainly represent the acquisition cost of the rights to increase electricity capacities.

The amortisation charge for the year is included in "administrative expenses" in the consolidated income statement.

The limestone and clay mining rights are valid for a period of 5 to 30 years.

As at 31 December 2008, application for the registration of limestone mining rights with cost of approximately RMB38,102,000 (2007: RMB42,102,000) was still in progress.

As at 31 December 2008, application for the registration of clay mining rights with cost of approximately RMB1,700,000 (2007: nil) was still in progress.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

15 INTANGIBLE ASSETS (continued)

(b) The Company

	Limestone mining rights RMB'000
Cost:	
At 1 January 2007, 31 December 2007, and 1 January 2008	10,627
Transfer from reorganisation of a subsidiary into a branch of the Company	14,289
At 31 December 2008	24,916
Accumulated amortisation:	
At 1 January 2007	4,853
Charge for the year	531
At 31 December 2007	5,384
At 1 January 2008	5,384
Charge for the year	1,669
At 31 December 2008	7,053
Net book value:	
At 31 December 2008	17,863
At 31 December 2007	5,243

The limestone mining rights are valid for a period of 20 years.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

16 GOODWILL

	The Group	
	2008	2007
	RMB'000	RMB'000
Carrying amount:		
At 1 January and 31 December	**16,120**	16,120

Impairment tests for cash-generating units containing goodwill

As set out in IAS 36 Impairment of assets, cash generating units are the smallest identifiable group of assets that generate cash inflows from continuing use that are largely independent of the cash flows from other assets. For the purpose of impairment testing of goodwill, goodwill is allocated to a group of cash-generating units (being subsidiaries acquired in each acquisition). Such group of cash-generating units represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and also is within the segment determined in accordance with IAS 14 Segment reporting.

The recoverable amount of the cash-generating units is determined based on value-in-use calculations. These calculations use cash flow projections primarily based on the respective financial budgets of the cash-generating units covering a one-year period approved by management and pre-tax discount rates that reflect current market assessment of the time value of money and specific risks relating to the business segment.

17 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008	2007
	RMB'000	RMB'000
Unlisted shares, at cost	**14,243,378**	13,054,151

Ningguo Cement Plant ("安徽省寧國水泥廠"), a previously wholly owned subsidiary, was transformed to a branch of the Company on 1 April 2008.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (continued)

The particulars of subsidiaries, all of which are either limited liability companies or joint stock limited companies established and operating in the PRC, at 31 December 2008 are as follows:

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Ningbo Conch Cement Co., Ltd. ("Ningbo Conch") 寧波海螺水泥有限公司	RMB 171,000,000	75%	75%	–	Manufacture and sale of clinker and cement products
Anhui Conch Cement Product Co., Ltd. ("Conch Plant") 安徽海螺水泥有限公司	United States dollars ("USD") 29,980,000	75%	75%	–	Manufacture and sale of clinker and cement products
Shanghai Mingzhu Conch Cement Co., Ltd. ("Mingzhu Conch") 上海明珠海螺水泥有限責任公司	RMB 13,710,000	94.2%	76.2%	18%	Manufacture and sale of clinker and cement products
Anhui Tongling Conch Cement Co., Ltd. ("Tongling Conch") 安徽銅陵海螺水泥有限公司	RMB 565,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Anhui Conch Machinery & Electric Co., Ltd. ("Conch Machinery") 安徽海螺機電設備有限公司	RMB 10,000,000	100%	100%	–	Provision of installation and repair services of machinery
Anhui Changfeng Conch Cement Co., Ltd. ("Changfeng Conch") 安徽長豐海螺水泥有限公司	RMB 10,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Zhangjiagang Conch Cement Co., Ltd. ("Zhangjiagang Conch") 張家港海螺水泥有限公司	RMB 35,000,000	98.71%	98.71%	–	Manufacture and sale of clinker and cement products
Shanghai Conch Cement Co., Ltd. ("Shanghai Conch") 上海海螺水泥有限責任公司	RMB 60,000,000	75%	75%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Nanjing Conch Cement Co., Ltd. ("Nanjing Conch") 南京海螺水泥有限公司	RMB 15,000,000	100%	99.75%	0.25%	Manufacture and sale of clinker and cement products
Nantong Conch Cement Co., Ltd. ("Nantong Conch") 南通海螺水泥有限責任公司	RMB 15,000,000	100%	99%	1%	Manufacture and sale of clinker and cement products
Shanghai Conch Cement Sales Co., Ltd. ("Shanghai Sales") 上海海螺水泥銷售有限公司	RMB 5,000,000	100%	100%	–	Sale of clinker and cement products
Anhui Digang Conch Cement Co., Ltd. ("Digang Conch") 安徽荻港海螺水泥股份有限公司	RMB 280,000,000	100%	99%	1%	Manufacture and sale of clinker and cement products
Jianyang Conch Cement Co., Ltd. ("Jianyang Conch") 福建省建陽海螺水泥有限責任公司	RMB 14,000,000	76%	76%	–	Manufacture and sale of clinker and cement products
Anhui Zongyang Conch Cement Co., Ltd. ("Zongyang Conch") 安徽樅陽海螺水泥股份有限公司	RMB 300,000,000	100%	99%	1%	Manufacture and sale of clinker and cement products
Anhui Chizhou Conch Cement Co., Ltd. ("Chizhou Conch") 安徽池州海螺水泥股份有限公司	RMB 318,000,000	100%	99%	1%	Manufacture and sale of clinker products
Taizhou Conch Cement Co., Ltd. ("Taizhou Conch") 泰州海螺水泥有限責任公司	RMB 11,520,000	93.75%	93.75%	–	Manufacture and sale of clinker and cement products
Bengbu Conch Cement Co., Ltd. ("Bengbu Conch") 蚌埠海螺水泥有限責任公司	RMB 54,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

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17 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Wenzhou Conch Cement Co., Ltd. ("Wenzhou Conch") 溫州海螺水泥有限公司	RMB 50,000,000	100%	95%	5%	Inactive
Fenyi Conch Cement Co., Ltd. ("Fenyi Conch") 分宜海螺水泥有限責任公司	RMB 50,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Shangyu Conch Cement Co., Ltd. ("Shangyu Conch") 上虞海螺水泥有限責任公司	RMB 16,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Jiande Conch Cement Co., Ltd. ("Jiande Conch") 建德海螺水泥有限責任公司	RMB 50,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Jiangxi Lushan Conch Cement Co., Ltd. ("Jiangxi Conch") 江西盧山海螺水泥有限公司	RMB 31,420,000	100%	98.7%	1.3%	Manufacture and sale of clinker and cement products
Taizhou Yangwan Conch Cement Co., Ltd. ("Yangwan Conch") 泰州楊灣海螺水泥有限責任公司	RMB 170,000,000	100%	95%	5%	Manufacture and sale of clinker and cement products
Nanchang Conch Cement Co., Ltd. ("Nanchang Conch") 南昌海螺水泥有限責任公司	RMB 20,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Anhui Huaining Conch Cement Co., Ltd. ("Huaining Conch") 安徽懷寧海螺水泥有限公司	RMB 150,000,000	100%	85%	15%	Manufacture and sale of clinker and cement products
Zhongguo Cement Co., Ltd. ("Zhongguo Plant") 中國水泥廠有限公司	RMB 100,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

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17 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Huai'an Conch Cement Co., Ltd. ("Huai'an Conch") 淮安海螺水泥有限責任公司	RMB 20,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Taicang Conch Cement Co., Ltd. ("Taicang Conch") 太倉海螺水泥有限責任公司	RMB 20,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Taizhou Conch Cement Co., Ltd. ("Taizhou Conch") 台州海螺水泥有限公司	RMB 20,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Haimen Conch Cement Co., Ltd. ("Haimen Conch") 海門海螺水泥有限責任公司	RMB 50,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Jiangmen Conch Cement Co., Ltd. ("Jiangmen Conch") 江門海螺水泥有限公司	RMB 50,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Maanshan Conch Cement Co., Ltd. ("Maanshan Conch") 馬鞍山海螺水泥有限責任公司	RMB 50,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Jiangsu Baling Conch Cement Co., Ltd. ("Baling Conch") 江蘇八菱海螺水泥有限公司	RMB 32,960,000	75%	75%	–	Manufacture and sale of clinker and cement products
Shuangfeng Conch Cement Co., Ltd. ("Shuangfeng Conch") 雙峰海螺水泥有限公司	RMB 268,000,000	100%	70%	30%	Manufacture and sale of clinker and cement products
Anhui Xuancheng Conch Cement Co., Ltd. ("Xuancheng Conch") 安徽宣城海螺水泥有限公司	RMB 332,500,000	100%	100%	–	Manufacture and sale of clinker and cement products

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17 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Wuhu Conch Cement Co., Ltd. ("Wuhu Conch") 蕪湖海螺水泥有限公司	RMB 400,000,000	100%	87.75%	12.25%	Manufacture and sale of clinker and cement products
Hunan Conch Cement Co., Ltd. ("Hunan Conch") 湖南海螺水泥有限公司	RMB 50,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Prosperity Conch Cement Co., Ltd. ("Prosperity Conch") 英德海螺水泥有限責任公司	RMB 580,000,000	75%	70%	5%	Manufacture and sale of clinker and cement products
Xingye Kuiyang Conch Cement Co., Ltd. ("Kuiyang Conch") 興業葵陽海螺水泥有限責任公司	RMB 200,000,000	100%	70%	30%	Manufacture and sale of clinker and cement products
Fusui Xinning Conch Cement Co., Ltd. ("Xinning Conch") 扶綏新寧海螺水泥有限責任公司	RMB 200,000,000	100%	70%	30%	Manufacture and sale of clinker and cement products
Anhui Wuhu Conch Construction and Installation Co., Ltd. ("Conch Construction") 安徽蕪湖海螺建築安裝工程有限責任公司	RMB 10,000,000	95%	95%	–	Provision of construction and installation services for industrial purposes
Xing'an Conch Cement Co., Ltd. ("Xing'an Conch") 興安海螺水泥有限責任公司	RMB 200,000,000	100%	65%	35%	Manufacture and sale of clinker and cement products
Ninghai Qiangjiao Conch Cement Co., Ltd. ("Ninghai Conch") 寧海強蛟海螺水泥有限公司	RMB 110,240,000	100%	90%	10%	Manufacture and sale of clinker and cement products and provision of loading services

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17 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Beiliu Conch Cement Co., Ltd. ("Beiliu Conch") 北流海螺水泥有限責任公司	RMB 150,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Zhanjiang Conch Cement Co., Ltd. ("Zhanjiang Conch") 湛江海螺水泥有限責任公司	RMB 100,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Xiangshan Conch Cement Co., Ltd. ("Xiangshan Conch") 象山海螺水泥有限責任公司	RMB 60,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Jiangdu Conch Cement Co., Ltd. ("Jiangdu Conch") 江都海螺水泥有限責任公司	RMB 150,000,000	100%	60%	40%	Manufacture and sale of clinker and cement products
Yiyang Conch Cement Co., Ltd. ("Yiyang Conch") 弋陽海螺水泥有限責任公司	RMB 220,000,000	100%	95.5%	4.5%	Manufacture and sale of clinker and cement products
Shimen Conch Cement Co., Ltd. ("Shimen Conch") 石門海螺水泥有限責任公司	RMB 231,000,000	100%	92.2%	7.8%	Manufacture and sale of clinker and cement products
Shanghai Conch Construction Material International Trading Co. Ltd ("Conch International Trading") 上海海螺建材國際貿易有限公司	RMB 10,000,000	100%	100%	–	Export sales of clinker and cement products
Wuhu Conch Plastic Products Co., Ltd. ("Wuhu Plastic") 蕪湖海螺塑料製品有限公司	USD 180,000	100%	100%	–	Manufacture and sale of cement packaging

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17 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Anhui Ningchang Plastic Products Co., Ltd. ("Ningchang Plastic") 安徽寧昌塑料包裝有限公司	RMB 53,554,100	100%	100%	–	Manufacture and sale of cement packaging
Shanghai Conch Logistic Co., Ltd. ("Shanghai Logistic") 上海海螺物流有限公司	RMB 10,000,000	100%	10%	90%	Logistic services
Wuhu Conch Logistic Co., Ltd. ("Wuhu Logistic") 蕪湖海螺物流有限公司	RMB 10,000,000	100%	–	100%	Logistic services
Guangdong Yinglong Conch Logistic Co., Ltd. ("Yinglong Logistic") 廣東英龍海螺物流有限公司	RMB 10,000,000	100%	–	100%	Logistic services
Yingde Conch Plastic Packaging Co., Ltd. ("Yingde Plastic") 英德海螺塑料包裝有限責任公司	RMB 6,000,000	100%	–	100%	Manufacture and sale of cement packaging
Huai'an Chuzhou Conch Cement Co., Ltd. ("Chuzhou Conch") 淮安楚州海螺水泥有限責任公司	RMB 80,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Pingliang Conch Cement Co., Ltd. ("Pingliang Conch") 平涼海螺水泥有限責任公司	RMB 150,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Linxiang Conch Cement Co., Ltd. ("Linxiang Conch") 臨湘海螺水泥有限責任公司	RMB 150,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

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17 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Leqing Conch Cement Co., Ltd. ("Leqing Conch") 樂清海螺水泥有限責任公司	RMB 150,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Quanjiao Conch Cement Co., Ltd. ("Quanjiao Conch") 全椒海螺水泥有限責任公司	RMB 180,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Ningde Conch Cement Co., Ltd. ("Ningde Conch") 寧德海螺水泥有限責任公司	RMB 150,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guangyuan Conch Cement Co., Ltd. ("Guangyuan Conch") 廣元海螺水泥有限責任公司	RMB 180,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guangdong Qingxin Cement Co., Ltd. ("Qingxin Company") 廣東清新水泥有限公司	RMB 10,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Chongqing Conch Cement Co., Ltd. ("Chongqing Conch") 重慶海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiangxi Ganjiang Conch Cement Co., Ltd. ("Ganjiang Conch") 江西贛江海螺水泥有限責任公司	RMB 80,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Foshan Conch Cement Co., Ltd. ("Foshan Conch") 佛山海螺水泥有限責任公司	RMB 100,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Liu'an Conch Cement Co., Ltd. ("Liu'an Conch") 六安海螺水泥有限責任公司	RMB 80,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Dazhou Conch Cement Co., Ltd. ("Dazhou Conch") 達州海螺水泥有限責任公司	RMB 180,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

18 INTEREST IN ASSOCIATES

	The Group		The Company	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Unlisted shares, at cost	**–**	–	**157,429**	157,429
Share of net assets	**163,281**	162,925	**–**	–
	163,281	162,925	**157,429**	157,429

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18 INTEREST IN ASSOCIATES (continued)

The particulars of the associates, all of which are unlisted and operating in the PRC, at 31 December 2008 are as follows:

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by an associate	Principal activities
Anhui King Bridge Cement Co., Ltd. ("King Bridge Cement") 安徽朱家橋水泥有限公司	USD 15,000,000	40%	40%	–	Manufacture and sale of clinker and cement products
Guangxi Fusui Conch Cement Co., Ltd. ("Fusui Conch") * 廣西扶綏海螺水泥有限責任公司	RMB 200,000,000	22.55%	21.26%	3.94%	In liquidation
Guangxi Xingye Conch Cement Co., Ltd. ("Xingye Conch") * 廣西興業海螺水泥有限責任公司	RMB 200,000,000	33.34%	32.62%	3.37%	In liquidation

* These two associates of the Group were in the process of liquidation as at 31 December 2007 and 2008.

Summary financial information on associates – 100 percent

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenue RMB'000	Profit after taxation RMB'000
2008					
King Bridge Cement	**146,210**	**7,956**	**138,254**	**87,742**	**10,890**
Fusui Conch	**217,508**	**12,901**	**204,607**	**–**	**–**
Xingye Conch	**207,090**	**3,065**	**204,025**	**–**	**–**
2007					
King Bridge Cement	147,811	10,447	137,364	99,173	9,265
Fusui Conch	217,508	12,901	204,607	–	–
Xingye Conch	207,090	3,065	204,025	–	–

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted shares, at cost	**–**	–	**160,000**	–
Share of net assets	**159,649**	–	**–**	–
	159,649	–	**160,000**	–

The particulars of jointly controlled entities, all of which are limited liability companies established and operating in the PRC, at 31 December 2008 are as follows:

		Proportion of ownership interest			
Name of joint venture	**Particulars of registered and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Guiding Conch Panjiang Cement Co., Ltd. 貴定海螺盤江水泥有限責任公司	RMB 160,000,000	50%	50%	–	Manufacture and sale of clinker and cement products
Guiyang Conch Panjiang Cement Co., Ltd. 貴陽海螺盤江水泥有限責任公司	RMB 160,000,000	50%	50%	–	Manufacture and sale of clinker and cement products

Summary financial information on jointly controlled entities – group's effective interest

	2008
	RMB'000
Non-current assets	**21,699**
Current assets	**138,521**
Current liabilities	**(571)**
Net assets	**159,649**
Income	**–**
Expenses	**(351)**
Loss for the year	**(351)**

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

20 LOANS AND RECEIVABLES

	The Group	
	2008	2007
	RMB'000	RMB'000
Loans and receivables	**374,026**	339,602
Less: Current portion of loans and receivables (note 25)	**(151,281)**	(140,296)
	222,745	199,306

As at 31 December 2008, loans and receivables represented advances made to local finance bureaux, RMB344,026,000 (2007: RMB317,602,000) of which are unsecured, interest bearing at 3.36% to 7.56% (2007: 5.91% to 6.57%) per annum and repayable in 2009 to 2011. The remaining balance of RMB30,000,000 (2007: RMB22,000,000) is unsecured, interest free and repayable in 2009 to 2011.

21 OTHER INVESTMENTS IN EQUITY SECURITIES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted equity securities in the PRC	**10**	10	**10**	10

22 AVAILABLE-FOR-SALE EQUITY SECURITIES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Available-for-sale equity securities				
– Listed in the PRC (with trading restrictions)	**121,308**	326,901	**121,308**	326,901
– Listed in the PRC	**1,080,449**	–	**1,080,449**	–
	1,201,757	326,901	**1,201,757**	326,901

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

22 AVAILABLE-FOR-SALE EQUITY SECURITIES (continued)

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 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 approximately RMB97,677,000. Chaodong Company is listed on the Shanghai Stock Exchange ("SSE"). 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 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 approximately RMB98,019,000 was recognised as available-for-sale equity securities in 2007. According to the Share Segregation Reform Proposal of Chaodong Company which was approved by the shareholders' meeting on 8 May 2007 and implemented on 18 July 2007, the A shares held by the Company represented approximately 16.28% of the total number of shares of Chaodong Company after the Share Segregation Reform.

At 31 December 2008, in the absence of a quoted market price for these restricted A shares, the fair value of these restricted A shares was determined based on certain valuation techniques. The valuation was carried by a registered valuer, Jones Lang LaSalle Sallmanns. The fair value of these restricted A shares is considered to be lower than the quoted market price of such A shares without the lock-up period restrictions and the impact of the lock-up period is estimated based on an Asian option model. The volatility of the share price is used as an input into the Asian option model. The significant assumptions of the model include expected volatility (expressed as weighted average volatility used in the modelling under Asian option model) of 79.36% (2007: 87.46%) and risk-free interest rate of 1.10% (2007: 4.05%). The expected volatility is based on the historic volatility based on publicly available information. Changes in the subjective input assumptions could materially affect the fair value estimate.

Apart from the aforementioned restricted A share investment in Chaodong Company, other investments represent securities listed on the SSE or Shenzhen Stock Exchange ("SZSE"). The fair value of these investments are measured based on the quoted market price.

Notes to the financial statements

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23 INVENTORIES

(a) Inventories in the balance sheets comprise:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Raw materials	**862,922**	538,810	**112,605**	28,105
Work in progress	**85,462**	85,331	**2,950**	1,190
Finished goods	**666,506**	707,231	**40,119**	22,199
Spare parts	**255,476**	231,180	**76,144**	13,099
	1,870,366	1,562,552	**231,818**	64,593

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Carrying amount of inventories sold	**18,066,076**	12,604,862

24 TRADE RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**441,057**	229,497	**46,599**	22,531
Bank acceptance notes receivable	**3,750,646**	3,232,369	**1,408,990**	900,304
Commercial acceptance notes receivable	**11,400**	9,063	**–**	–
	4,203,103	3,470,929	**1,455,589**	922,835

All of the trade receivables are expected to be recovered within one year.

Notes to the financial statements
(Expressed in Renminbi Yuan unless otherwise indicated)

24 TRADE RECEIVABLES (continued)

(a) Ageing analysis

Included in trade receivables are trade debtors and notes receivable (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current or overdue within 60 days (inclusive)	**4,202,831**	3,469,397	**1,455,487**	921,986
Overdue between 60 days and 1 year (inclusive)	**170**	1,093	**–**	747
Overdue between 1 and 2 years (inclusive)	**–**	439	**–**	102
Overdue between 2 and 3 years (inclusive)	**102**	–	**102**	–
	4,203,103	3,470,929	**1,455,589**	922,835

Trade debtors are due within 30-60 days from the day of billing. Notes receivable are due within 6 months from the day of issuance.

Further details on the Group's credit policy are set out in note 37(a).

(b) Impairment of trade debtors and notes receivable

Impairment losses in respect of trade debtors and notes receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and notes receivable directly (see note 2(m)(i)).

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

24 TRADE RECEIVABLES (continued)

(b) Impairment of trade debtors and notes receivable (continued)

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group		The Company	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
At 1 January	**18,702**	22,375	**7,403**	7,403
Impairment loss reversed	**(1,160)**	(3,673)	**(393)**	–
Uncollectible amounts written off	**(762)**	–	**–**	–
At 31 December	**16,780**	18,702	**7,010**	7,403

(c) Trade debtors and notes receivable that are not impaired

The ageing analysis of trade debtors and notes receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Neither past due nor impaired	**4,192,553**	3,426,778	**1,445,209**	902,079
Overdue within 60 days (inclusive)	**10,278**	42,619	**10,278**	19,907
Overdue between 60 days and 1 year (inclusive)	**170**	1,093	**–**	747
Overdue between 1 and 2 years (inclusive)	**–**	439	**–**	102
Overdue between 2 and 3 years (inclusive)	**102**	–	**102**	–
	4,203,103	3,470,929	**1,455,589**	922,835

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Notes to the financial statements

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24 TRADE RECEIVABLES (continued)

(c) Trade debtors and notes receivable that are not impaired (continued)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

25 PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Purchase deposits	**305,847**	347,072	**32,541**	49,674
Subsidies receivable	**10,000**	10,540	**–**	–
Current portion of loans and receivables (note 20)	**151,281**	140,296	**–**	–
Other receivables	**168,477**	32,556	**12,848**	6,142
	635,605	530,464	**45,389**	55,816

All of the prepayments and other receivables are expected to be recovered within one year.

26 AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due from/to subsidiaries are unsecured, interest free and repayable on demand.

Notes to the financial statements
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27 AMOUNTS DUE FROM/TO RELATED PARTIES

	The Group		The Company	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Amounts due from:				
Anhui Conch Kawasaki Engineering Company Limited ("Conch Kawasaki") 安徽海螺川崎工程有限公司	**215,810**	423,130	**–**	–
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("Conch Kawasaki Energy Conservation") 安徽海螺川崎節能設備製造有限公司	**126,196**	–	**8,400**	–
Wuhu Conch Profiles and Science Co., Ltd. ("Conch Profiles and Science ") 蕪湖海螺型材科技股份有限公司	**2,409**	10	**–**	–
Wuhu Sanshan Port Co., Ltd. ("Sanshan Port") 蕪湖三山港務有限公司	**377**	–	**–**	–
Yingde Conch Profiles Co., Ltd. ("Yingde Profiles") 英德海螺型材有限責任公司	**54**	–	**–**	–
	344,846	423,140	**8,400**	–

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(Expressed in Renminbi Yuan unless otherwise indicated)

27 AMOUNTS DUE FROM/TO RELATED PARTIES (continued)

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due to:				
Conch Kawasaki	**114,883**	7,740	**2,135**	7,740
Xingye Conch	**56,800**	56,800	**56,800**	56,800
Fusui Conch	**41,373**	41,373	**41,373**	41,373
Conch Holdings	**4,735**	–	**4,735**	–
Wuhu Conch New Materials Co., Ltd. (“Conch New Materials”) 蕪湖海螺新材料有限公司	**1,146**	–	**856**	–
Conch Profiles and Science	**760**	–	**229**	–
Sanshan Port	**616**	–	**–**	–
Other related companies	**–**	2,100	**–**	2,100
	220,313	108,013	**106,128**	108,013

The amounts due from/to related parties mainly arose from the related party transactions as disclosed in note 40. The amounts due from/to related parties are unsecured, interest free and repayable on demand.

28 TRADE PAYABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**3,470,634**	1,930,814	**1,199,164**	369,232
Notes payable	**–**	–	**200,000**	280,000
	3,470,634	1,930,814	**1,399,164**	649,232

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28 TRADE PAYABLES (continued)

Included in trade payables are trade creditors and notes payable with the following aging analysis as of the balance sheet date:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Overdue within 1 year (inclusive) or on demand	**3,456,043**	1,927,139	**1,398,784**	646,135
Overdue between 1 and 2 years (inclusive)	**12,059**	2,308	**380**	–
Overdue between 2 and 3 years (inclusive)	**2,216**	1,112	**–**	–
Over 3 years	**316**	255	**–**	3,097
	3,470,634	1,930,814	**1,399,164**	649,232

29 OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Construction cost payables	**826,283**	841,200	**20,891**	32,497
Receipts in advance from customers	**546,230**	414,063	**99,041**	45,801
Retention moneys	**321,515**	311,883	**5,221**	13,335
Expense accruals	**50,838**	54,844	**9,178**	16,175
Value-added tax payables	**69,082**	141,768	**5,321**	10,509
Other taxes payables	**89,836**	75,904	**21,954**	5,457
Acquisition cost of mining rights payable	**20,367**	16,369	**–**	–
Withholding tax payables	**701**	746	**63**	75
Dividend payable to minority interests	**50,000**	–	**–**	–
Other payables	**420,244**	383,939	**79,504**	32,014
	2,395,096	2,240,716	**241,173**	155,863

Notes to the financial statements

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30 NON-CURRENT INTEREST-BEARING BORROWINGS

(a) The analysis of the carrying amount of non-current interest-bearing borrowings is as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans (note 32)				
– unsecured	**5,318,000**	9,099,300	**650,000**	2,000,000
	5,318,000	9,099,300	**650,000**	2,000,000
Other borrowings				
– secured (note (b)(i))	**650,000**	650,000	**650,000**	650,000
– unsecured (note (b)(ii))	**65,455**	72,727	**–**	–
	6,033,455	9,822,027	**1,300,000**	2,650,000

(b) Significant terms and repayment schedule of non-bank borrowings:

(i) Other secured borrowings of the Group and the Company are provided by the International Finance Corporation ("IFC"). The loan bears interest at a rate of 5.32% (2007: 5.32%) per annum and is repayable in September 2015. At 31 December 2008, the loan was secured by property, plant and equipment of the Group with carrying amount of approximately RMB591,397,000 (2007: RMB637,064,000) and leasehold land held for own use under operating leases of the Group with carrying amount of approximately RMB53,219,000 (2007: RMB54,413,000). The loan is subject to various financial covenants that are reported to IFC on a quarterly basis.

(ii) Other unsecured borrowings relate to national debt loan (國債轉貸) provided by the Anhui Finance Bureau. The loan bears interest at a rate of 3.36% (2007: 2.82%) per annum and is repayable in June 2017.

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31 CURRENT INTEREST-BEARING BORROWINGS

The analysis of the carrying amount of unsecured current interest-bearing borrowings is as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans (note 32)	**3,916,800**	3,928,500	**1,035,000**	250,000
Other borrowings	**878,376**	1,009,133	**353,950**	213,214
	4,795,176	4,937,633	**1,388,950**	463,214

At 31 December 2008, other borrowings of the Group amounting to RMB878,376,000 represent outstanding discounted bills with recourse as at 31 December 2008 (2007: RMB 1,009,133,000).

32 BANK LOANS

At 31 December 2008, the bank loans were repayable as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year or on demand (note 31)	**3,916,800**	3,928,500	**1,035,000**	250,000
After 1 year but within 2 years	**2,609,000**	4,265,300	**550,000**	1,370,000
After 2 years but within 5 years	**2,624,000**	4,324,000	**100,000**	630,000
After 5 years	**85,000**	510,000	**–**	–
Total non-current bank loans (note 30(a))	**5,318,000**	9,099,300	**650,000**	2,000,000
	9,234,800	13,027,800	**1,685,000**	2,250,000

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32 BANK LOANS (continued)

At 31 December 2008, the bank loans were secured as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans				
– secured	**–**	60,000	**–**	–
– unsecured	**9,234,800**	12,967,800	**1,685,000**	2,250,000
	9,234,800	13,027,800	**1,685,000**	2,250,000

At 31 December 2008, no bank loans of the Group were secured by property, plant and equipment of the Group or leasehold land held for own use under operating leases of the Group.

At 31 December 2007, the bank loans of the Group totalling RMB60,000,000 were secured by property, plant and equipment of the Group with carrying amount of approximately RMB58,885,000 and leasehold land held for own use under operating leases of the Group with carrying amount of approximately RMB4,883,000.

At 31 December 2008, no bank loans of the Company were secured by property, plant and equipment of the Company or leasehold land held for own use under operating leases of the Company (2007: nil).

At 31 December 2008, unsecured bank loans of the Group and the Company totalling RMB7,644,800,000 (2007: RMB10,459,800,000) and RMB1,185,000,000 (2007: RMB1,420,000,000) respectively were guaranteed by Conch Holdings.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

33 INCOME TAX IN THE BALANCE SHEETS

(a) Current taxation in the balance sheets represents:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Provision for PRC Enterprise Income Tax for the year	**568,194**	826,579	**55,781**	57,922
PRC Enterprise Income Tax paid	**(301,678)**	(450,380)	**(18,025)**	(31,364)
	266,516	376,199	**37,756**	26,558
Representing:				
Tax recoverable	**(19,170)**	(30,799)	**–**	–
Tax payable	**285,686**	406,998	**37,756**	26,558
	266,516	376,199	**37,756**	26,558

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

33 INCOME TAX IN THE BALANCE SHEETS (continued)

(b) Deferred tax assets and liabilities recognised:

The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Allowances and impairment RMB'000	Unrealised profits (note) RMB'000	Arising from business combination RMB'000	Tax losses RMB'000	Derivative financial instruments RMB'000	Provision RMB'000	Total RMB'000
Deferred tax arising from:							
At 1 January 2007	(9,795)	(25,235)	27,396	(10,000)	(12,435)	–	(30,069)
Charged/(credited) to income statement	(17,901)	(3,207)	(7,065)	(8,605)	12,435	(4,899)	(29,242)
At 31 December 2007	(27,696)	(28,442)	20,331	(18,605)	–	(4,899)	(59,311)

	Allowances and impairment RMB'000	**Unrealised profits (note) RMB'000**	**Arising from business combination RMB'000**	**Tax losses RMB'000**	**Derivative financial instruments RMB'000**	**Provision RMB'000**	**Total RMB'000**
At 1 January 2008	**(27,696)**	**(28,442)**	**20,331**	**(18,605)**	**–**	**(4,899)**	**(59,311)**
Charged/(credited) to income statement	**4,178**	**8,513**	**(424)**	**(3,485)**	**–**	**1,466**	**10,248**
At 31 December 2008	**(23,518)**	**(19,929)**	**19,907**	**(22,090)**	**–**	**(3,433)**	**(49,063)**

Note: The unrealised profits arose from intra-group sale of inventories and fixed assets.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

33 INCOME TAX IN THE BALANCE SHEETS (continued)

(b) Deferred tax assets and liabilities recognised: (continued)

The Company

The components of deferred tax assets recognised in the balance sheet and the movements during the year are as follows:

	Allowances and Impairment RMB'000
Deferred tax arising from:	
At 1 January 2007	–
Credited to income statement	(15,086)
At 31 December 2007	(15,086)
At 1 January 2008	(15,086)
Charged to income statement	3,801
At 31 December 2008	(11,285)

	The Group		**The Company**	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Net deferred tax assets recognised on the balance sheet	**(68,970)**	(79,642)	**(11,285)**	(15,086)
Net deferred tax liabilities recognised on the balance sheet	**19,907**	20,331	**–**	–
	(49,063)	(59,311)	**(11,285)**	(15,086)

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

34 LONG-TERM PAYABLES

	The Group	
	2008	2007
	RMB'000	RMB'000
Compensation payable (note (a))	**38,928**	55,734
Others	**1,628**	3,475
	40,556	59,209
Less: Current portion of compensation payable (note (a))	**(7,325)**	(9,156)
	33,231	50,053

Note:

(a) In 1998 and 2002, pursuant to the purchase agreements entered into between the Group and two third parties separately in relation to the acquisition of certain operating assets and liabilities of two cement plants in Nanjing, the Group assumed the obligations of making compensation to the retired and redundant employees of these cement plants.

In 2007, pursuant to another purchase agreement entered into between the Group and a third party in relation to the acquisition of certain operating assets and liabilities of a cement plant in Lushan, the Group assumed obligations of making compensation to the redundant employees of the cement plant amounting to approximately RMB 23,655,000.

At 31 December 2008, the total remaining obligation in relation to the above agreements amounted to approximately RMB38,928,000 (2007: RMB55,734,000). Compensation payable of RMB7,325,000 (2007: RMB9,156,000) is expected to be settled within the next year.

35 DEFERRED INCOME

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**148,441**	128,818	**12,692**	13,846
Government grant received	**106,653**	32,220	**6,844**	–
Recognised in the income statement	**(19,501)**	(12,597)	**(1,610)**	(1,154)
At 31 December	**235,593**	148,441	**17,926**	12,692

According to the PRC tax laws and regulations, the Group can enjoy certain tax incentives in respect of purchases of domestically manufactured equipment and energy conservation equipment.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

35 DEFERRED INCOME (continued)

The above income tax refunds are regarded as government grants whose primary condition for qualification is to purchase certain long-term assets. The government grants are recognised as income over the periods necessary to match them with the related costs of assets purchased which they are intended to compensate over the periods and in the proportions in which depreciation on those assets is charged.

36 CAPITAL AND RESERVES

(a) The Group

	Note	Share capital RMB'000 (Note (c))	Share premium RMB'000 (Note (d)(i))	Statutory surplus reserve RMB'000 (Note (d)(ii))	Fair value reserve RMB'000 (Note (d)(iv))	Capital reserve RMB'000 (Note (d)(iii))	Retained profits RMB'000 (Note (d)(v))	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2007		1,255,680	1,745,430	1,542,171	–	119,994	2,466,918	7,130,193	1,454,784	8,584,977
Profit for the year		–	–	–	–	–	2,480,146	2,480,146	208,080	2,688,226
Shares issued for acquisition of minority interest		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)	–	–	–	–
Dividend approved in respect of the previous year	11(b)	–	–	–	–	–	(251,136)	(251,136)	–	(251,136)
Dividend declared by non-wholly owned subsidiaries to minority shareholders		–	–	–	–	–	–	–	(3,847)	(3,847)
Changes in fair value of available-for-sale equity securities	22	–	–	–	228,882	–	–	228,882	–	228,882
Transfer between reserves		–	–	(1,235,230)	–	(6,551)	1,241,781	–	–	–
Appropriations to reserves		–	–	38,797	–	–	(38,797)	–	–	–
At 31 December 2007		1,566,434	2,694,602	345,738	228,882	48,345	5,898,912	10,782,913	464,189	11,247,102

Notes to the financial statements
(Expressed in Renminbi Yuan unless otherwise indicated)

36 CAPITAL AND RESERVES (continued)

(a) The Group (continued)

	Note	Share capital RMB'000 (Note (c))	Share premium RMB'000 (Note (d)(i))	Statutory surplus reserve RMB'000 (Note (d)(ii))	Fair value reserve RMB'000 (Note (d)(iv))	Capital reserve RMB'000 (Note (d)(iii))	Retained profits RMB'000 (Note (d)(v))	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008		**1,566,434**	**2,694,602**	**345,738**	**228,882**	**48,345**	**5,898,912**	**10,782,913**	**464,189**	**11,247,102**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**2,607,223**	**2,607,223**	**70,784**	**2,678,007**
New shares issued		**200,000**	**11,082,057**	**–**	**–**	**–**	**–**	**11,282,057**	**–**	**11,282,057**
Acquisition of minority interests		**–**	**–**	**–**	**–**	**(9,618)**	**–**	**(9,618)**	**(14,851)**	**(24,469)**
Dividends declared by non-wholly owned subsidiaries to minority shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(54,275)**	**(54,275)**
Changes in fair value of available-for-sale equity securities	22	**–**	**–**	**–**	**(241,102)**	**–**	**–**	**(241,102)**	**–**	**(241,102)**
Appropriations to reserves		**–**	**–**	**125,768**	**–**	**–**	**(125,768)**	**–**	**–**	**–**
At 31 December 2008		**1,766,434**	**13,776,659**	**471,506**	**(12,220)**	**38,727**	**8,380,367**	**24,421,473**	**465,847**	**24,887,320**

(b) The Company

	Note	Share capital RMB'000 (Note (c))	Share premium RMB'000 (Note (d)(i))	Statutory surplus reserve RMB'000 (Note (d)(ii))	Fair value reserve RMB'000 (Note (d)(iv))	Capital reserve RMB'000 (Note (d)(iii))	Retained profits RMB'000 (Note (d)(v))	Total RMB'000
At 1 January 2007		1,255,680	1,745,430	729,059	–	31,669	365,826	4,127,664
Dividends approved in respect of the previous year	11(b)	–	–	–	–	–	(251,136)	(251,136)
Profit for the year		–	–	–	–	–	290,673	290,673
Shares issued for acquisition of minority interest		287,999	7,041,576	–	–	–	–	7,329,575
Shares issued for acquisition of subsidiaries under common control		22,755	243,161	–	–	–	–	265,916
Changes in fair value of available-for-sale equity securities	22	–	–	–	228,882	–	–	228,882
Transfer between reserves		–	–	(422,118)	–	(6,380)	428,498	–
Appropriations to reserves		–	–	38,797	–	–	(38,797)	–
At 31 December 2007		1,566,434	9,030,167	345,738	228,882	25,289	795,064	11,991,574

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(Expressed in Renminbi Yuan unless otherwise indicated)

36 CAPITAL AND RESERVES (continued)

(b) The Company (continued)

	Note	Share capital RMB'000 (Note (c))	Share premium RMB'000 (Note (d)(i))	Statutory surplus reserve RMB'000 (Note (d)(ii))	Fair value reserve RMB'000 (Note (d)(iv))	Capital reserve RMB'000	Retained profits RMB'000 (Note (d)(iii))	Total RMB'000 (Note (d)(v))
At 1 January 2008		1,566,434	9,030,167	345,738	228,882	25,289	795,064	11,991,574
Profit for the year		–	–	–	–	–	1,284,950	1,284,950
New shares issued		200,000	11,082,057	–	–	–	–	11,282,057
Changes in fair value of available-for-sale equity securities	22	–	–	–	(241,102)	–	–	(241,102)
Appropriations to reserves		–	–	125,768	–	–	(125,768)	–
At 31 December 2008		1,766,434	20,112,224	471,506	(12,220)	25,289	1,954,246	24,317,479

(c) Share capital

Registered and issued share capital

	2008		2007	
	No. of shares ('000)	**Amount RMB'000**	No. of shares ('000)	Amount RMB'000
Registered:				
H shares of RMB1 each	**433,200**	**433,200**	433,200	433,200
A shares of RMB1 each	**525,480**	**525,480**	262,784	262,784
A shares with trading restrictions of RMB1 each	**807,754**	**807,754**	870,450	870,450
	1,766,434	**1,766,434**	1,566,434	1,566,434
Issued and fully paid:				
H shares of RMB1 each	**433,200**	**433,200**	433,200	433,200
A shares of RMB1 each	**525,480**	**525,480**	262,784	262,784
A shares with trading restrictions of RMB1 each	**807,754**	**807,754**	870,450	870,450
	1,766,434	**1,766,434**	1,566,434	1,566,434

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

36 CAPITAL AND RESERVES (continued)

(c) Share capital (continued)

The Company issued 361,000,000 H shares with a par value of RMB1.00 each in October 1997 at an issue price of Hong Kong Dollars (the "HK$") 2.28 per share. The H shares were listed on the Stock Exchange of Hong Kong Limited on 21 October 1997.

The Company issued 200,000,000 A shares with a par value of RMB1.00 each in January 2002 at an issue price of RMB4.10 per share. The A shares were listed on the SSE on 7 February 2002.

The Company issued 72,200,000 H shares with a par value of RMB1.00 each at an issue price of HK$8.20 per share in November 2003.

According to the resolution of the A-share shareholders' meeting held on 20 February 2006, the Proposal of Share Segregation Reform of Anhui Conch Cement Company Limited ("the Proposal") was approved whereby Conch Holdings agreed to pay cash consideration of RMB 15 for every 10 floating A shares held by holders of floating A shares at the total amount of RMB300,000,000 with a view to obtaining a restricted listing right for the 622,480,000 non-floating state-owned shares of the Company then held by Conch Holdings. After the implementation of the Proposal, the proportion and number of shares in the Company held by holders of A shares and state-owned shares as well as the total issued share capital of the Company will remain unchanged. The State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") approved the Proposal on 15 February 2006.

On 1 March 2007, the board of directors of the Company applied to the SSE for the listing of the 62,784,000 shares with trading restrictions (representing approximately 5% of the total issued shares of the Company at 31 December 2006) in the Company held by Conch Holdings on the SSE. The SSE approved the listing of such 62,784,000 shares with trading restrictions on 7 March 2007.

On 24 April 2007, the Company obtained the approval of CSRC and (i) issued an aggregate of 22,755,147 A shares to Conch Holdings as consideration for the acquisition of 100% equity interest of Ningchang Plastic, 75% equity interest of Wuhu Plastic and 100% equity interest of Conch International Trading; and (ii) issued an aggregate of 287,999,046 A shares to Anhui Conch Venture Investment Company Limited ("Conch Venture") as consideration for the acquisition of 49% equity interest in Digang Conch, 49% equity interest in Zongyang Conch, 49% equity interest in Chizhou Conch and 31.86% equity interest in Tongling Conch. Pursuant to these transactions, the registered capital of the Company was increased to RMB 1,566,434,193 by the issuance of an additional 310,754,193 restricted A shares of RMB 1 each, ranking pari passu with the then existing shares of the Company in all respects, except for the trading restrictions as noted above.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

36 CAPITAL AND RESERVES (continued)

(c) Share capital (continued)

On 25 February 2008, the board of directors of the Company applied to the SSE for the listing of the 62,784,000 shares with trading restrictions (representing approximately 4% of the total issued shares of the Company at 31 December 2007) in the Company held by Conch Holdings on the SSE. The SSE approved the listing of such 62,784,000 shares with trading restrictions on 3 March 2008.

The Company issued 200,000,000 A shares with a par value of RMB1.00 each in May 2008 at an issue price of RMB 57.38 per share, ranking pari passu with the existing shares of the Company in all respects. The aforementioned A shares were listed on the SSE on 28 May 2008.

A shares and H shares rank pari passu in all respects, except that ownership of A shares is restricted to PRC nationals and legal persons and qualified foreign investment institutions, while H shares can only be owned and traded by investors outside mainland China. Dividends on A shares are payable in RMB, while dividends on H shares are payable in HK$.

(d) Nature and purpose of reserves

(i) Share premium

Share premium represents net assets acquired from Conch Holdings in excess of the par value of shares issued, and proceeds from the issuance of H shares and A shares (or fair value of A shares) issued in excess of their par value, net of underwriting commissions, professional fees and other reorganisation costs for listing purpose.

(ii) Statutory surplus reserve

In accordance with the Company Law of the PRC and the Company's articles of association, the Company and its subsidiaries shall appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory surplus reserve account. When the balance of such reserve fund reaches 50% of the registered capital of the Company or any of its subsidiaries, further appropriation to that company will become optional.

The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital after proper approval. However, except for offsetting prior years' losses, the statutory surplus reserve of the Company and each subsidiary should be maintained at a minimum of 25% of the registered capital after utilisation.

For the year ended 31 December 2008, the directors have recommended that 10% (2007: 10%) of the statutory net profit of the Company and each of its subsidiaries, where applicable, be appropriated to the statutory surplus reserve.

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36 CAPITAL AND RESERVES (continued)

(d) Nature and purpose of reserves (continued)

(iii) Capital reserve

The capital reserve comprises the following items:

– the differences between the cost of acquisition of minority interests in a subsidiary and the carrying amount of the net assets additionally acquired; and

– cash contributed by Conch Holdings.

On 29 June 2007, the Company (as purchaser) and the former minority shareholder of Wuhu Plastic (as vendor) entered into a sale and purchase agreement pursuant to which both parties agreed to transfer the 25% equity interests in Wuhu Plastic. In accordance with the sale and purchase agreement, the Company will pay cash of RMB13,760,000 to the minority shareholder as purchase consideration for such acquisition. On 30 January 2008, the acquisition was approved by the relevant government authorities. The carrying amount of the minority interests acquired amounted to RMB10,345,000 at the acquisition date. The difference between the cost of acquisition and the carrying amount of the net assets acquired was recognised in capital reserve.

On 29 June 2007, Shanghai Conch International (as purchaser) and the former minority shareholder of Wuhu Logistics, 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 Logistics. In accordance with the sale and purchase agreement, Shanghai Conch International will pay cash of RMB10,709,000 to the minority shareholder as purchase consideration for such acquisition. On 6 March 2008, the acquisition was approved by the relevant government authorities. The carrying amount of the minority interests acquired amounted to RMB4,506,000 at the acquisition date. The difference between the cost of acquisition and the carrying amount of the net assets acquired was recognised in capital reserve.

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of available-for-sale equity securities held at the balance sheet date and is dealt with in accordance with the accounting policy set out in note 2(f).

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

36 CAPITAL AND RESERVES (continued)

(d) Nature and purpose of reserves (continued)

(v) Retained earnings

The distribution of dividends is made in accordance with the Company's articles of association at the recommendation of the Board of Directors and subject to approval by shareholders in general meetings. Pursuant to the Notice [1995] 31 issued by the Ministry of Finance of the PRC on 24 August 1995, the amount of profit available for distribution to equity shareholders will be determined based on the lower of unappropriated profits in the Company's financial statements determined in accordance with (i) PRC accounting standards and regulations, and (ii) IFRSs.

(e) Distributability of reserves

At 31 December 2008, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB 1,934,085,000 (2007: RMB 795,064,000).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio which is total liabilities divided by total assets.

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2008 was 41% (2007: 64%). In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Other than the Company's other borrowings (secured) of RMB 650,000,000 provided by the International Finance Corporation (see note 30(b)(i)), neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the financial statements

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place to ensure that sales of products are made to customers with an appropriate credit history and the exposures to these credit risks are monitored on an ongoing basis. In addition, the Group normally receives deposits from customers before delivery of products.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-60 days from the date of billing. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long-term strategic purposes.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or the country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the balance sheet date, the Group has certain concentration of credit risk as 36% (2007: 32%) of the total trade and other receivables were due from the five largest customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in notes 24 and 25.

Notes to the financial statements

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, but the borrowings are subject to approval by the parent company's management. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group	**2008**					
		Contractual undiscounted cash outflow				
	Balance sheet carrying amount RMB'000	**Total RMB'000**	**Within 1 year or on demand RMB'000**	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**
Trade payables	**3,470,634**	**3,470,634**	**3,470,634**	**–**	**–**	**–**
Other payables and accruals	**2,395,096**	**2,395,096**	**2,395,096**	**–**	**–**	**–**
Amounts due to related parties	**220,313**	**220,313**	**220,313**	**–**	**–**	**–**
Current taxation	**285,686**	**285,686**	**285,686**	**–**	**–**	**–**
Bank loans and other borrowings	**10,828,631**	**11,820,184**	**5,196,100**	**2,862,960**	**2,890,976**	**870,148**
Long term payables	**40,556**	**40,556**	**7,325**	**16,196**	**15,408**	**1,627**
	17,240,916	**18,232,469**	**11,575,154**	**2,879,156**	**2,906,384**	**871,775**

Notes to the financial statements

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

The Group

		2007				
		Contractual undiscounted cash outflow				
	Balance sheet carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	1,930,814	1,930,814	1,930,814	–	–	–
Other payables and accruals	2,240,716	2,240,716	2,240,716	–	–	–
Amounts due to related parties	108,013	108,013	108,013	–	–	–
Current taxation	406,998	406,998	406,998	–	–	–
Bank loans and other borrowings	14,759,660	16,606,148	5,661,697	4,717,751	4,855,580	1,371,120
Long term payables	59,209	59,209	9,156	17,243	19,431	13,379
	19,505,410	21,351,898	10,357,394	4,734,994	4,875,011	1,384,499

The Company

		2008				
		Contractual undiscounted cash outflow				
	Balance sheet carrying amount	**Total**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Trade payables	**1,399,164**	**1,399,164**	**1,399,164**	**–**	**–**	**–**
Other payables and accruals	**241,173**	**241,173**	**241,173**	**–**	**–**	**–**
Amounts due to subsidiaries	**2,344,547**	**2,344,547**	**2,344,547**	**–**	**–**	**–**
Amounts due to related parties	**106,128**	**106,128**	**106,128**	**–**	**–**	**–**
Current taxation	**37,756**	**37,756**	**37,756**	**–**	**–**	**–**
Bank loans and other borrowings	**2,688,950**	**2,997,596**	**1,484,003**	**596,052**	**207,179**	**710,362**
	6,817,718	**7,126,364**	**5,612,771**	**596,052**	**207,179**	**710,362**

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

The Company

		2007				
		Contractual undiscounted cash outflow				
	Balance sheet carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	649,232	649,232	649,232	–	–	–
Other payables and accruals	155,863	155,863	155,863	–	–	–
Amounts due to subsidiaries	3,572,441	3,572,441	3,572,441	–	–	–
Amounts due to related parties	108,013	108,013	108,013	–	–	–
Current taxation	26,558	26,558	26,558	–	–	–
Bank loans and other borrowings	3,113,214	3,517,427	559,477	1,473,986	739,054	744,910
	7,625,321	8,029,534	5,071,584	1,473,986	739,054	744,910

(c) Interest rate risk

The interest rates and terms of repayment of the Group's and the Company's borrowings are disclosed in notes 30 and 31. The Group's interest rate profile as monitored by management is set out in (i) below.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings at the balance sheet date.

	The Group				The Company			
	2008		2007		**2008**		2007	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000	**Effective interest rate %**	**RMB'000**	Effective interest rate %	RMB'000
Net fixed rate borrowings:								
Bank loans	**5.02%-6.80%**	**1,390,000**	5.08%-7.10%	1,470,000	**5.90%-6.72%**	**150,000**	–	–
Other borrowings	**5.32%-7.20%**	**1,528,376**	4.64%-7.44%	1,659,133	**5.32%-7.20%**	**1,003,950**	4.64%-7.44%	863,214
Less: Loans and receivables	**3.36%-7.56%**	**(344,026)**	5.91%-6.57%	(317,602)	**–**	**–**	–	–
		2,574,350		2,811,531		**1,153,950**		863,214
Variable rate borrowings:								
Bank loans	**4.86%-7.56%**	**7,844,800**	5.08%-7.65%	11,557,800	**5.43%-6.80%**	**1,535,000**	5.40%-6.30%	2,250,000
Other borrowings	**3.36%**	**65,455**	2.82%	72,727	**–**	**–**	–	–
		7,910,255		11,630,527		**1,535,000**		2,250,000
Total net borrowings		**10,484,605**		14,442,058		**2,688,950**		3,113,214
Net fixed rate borrowings as a percentage of total net borrowings		**25%**		19%		**43%**		28%

The interest rates of the variable rate borrowings of the Group and the Company are based on the base rate announced by the People's Bank of China or a discount on such base rate.

(ii) Sensitivity analysis

At 31 December 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax (and retained profits) by approximately RMB 29,371,000 (2007: RMB 76,635,000).

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis (continued)

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2007.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables and cash balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

The Group

	Exposure to foreign currencies (USD) (expressed in RMB'000)	
	2008	2007
Trade receivables	**80,803**	103,597
Cash and cash equivalents	**31,407**	29,353
Net exposure arising from recognised assets and liabilities	**112,210**	132,950

The Company

The Company is not exposed to significant currency risk.

(iii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

The Group

	2008		2007	
	Increase/ decrease in foreign exchange rates	**Effect on profit after tax and retained profits RMB'000**	Increase/ decrease in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
USD	**1%**	**842**	1%	997

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(iii) Sensitivity analysis (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2007.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities (see note 22).

The Group and the Company mitigate the risk associated with investments in equity securities by making strategic investment with its disposable fund pursuant to the authorization of the board of directors, and by limiting the investment to certain listed domestic cement companies with considerable scale, competitive advantage and development potential.

The scale of such investment is controlled under a reasonable cap, and investment strategies are designed collectively by the Group based on securities market conditions and the corporate governance of the targeted companies.

In compliance with PRC laws and regulations and based on the Group's investment strategy, investments in equity securities are classified as available-for-sale securities and securities held for trading, which are then monitored and managed under these classifications respectively.

For investments classified as available-for-sale securities, the Group observes the invested companies' operation and development, and seeks to obtain an understanding of their business management through participation in their shareholder's meetings.

For investments classified as securities held for trading, the Group closely monitors changes in state and local policies, the development of the invested companies' business and changes in the securities market, and thereby seeks to attain capital gain by trading accordingly.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Equity price risk (continued)

It is estimated that an increase/decrease of 1% (2007: 1%) in the respective quoted share prices of these securities, with all other variables held constant, would have increased/decreased the Group's fair value reserve as follows:

The Group and the Company

	2008		2007	
		Effect on fair value reserve RMB'000		Effect on fair value reserve RMB'000
Change in quoted share price				
Increase	**1%**	**12,018**	1%	4,610
Decrease	**1%**	**(12,018)**	1%	(4,610)

The sensitivity analysis indicates the instantaneous change in the Group's fair value reserve that would arise assuming that the changes in the respective quoted share prices had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the balance sheet date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant share price, that none of the Group's available-for-sale investments would be considered impaired as a result of the short term fluctuation of the relevant share, and that all other variables remain constant. The analysis is performed on the same basis for 2007.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008.

Notes to the financial statements
(Expressed in Renminbi Yuan unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(f) Fair values (continued)

As at 31 December 2007, all financial instruments are carried at amounts not materially different from their fair values except as follows:

	2007	
	Carrying amount RMB'000	Fair value RMB'000
The Group and the Company		
Other borrowings	650,000	578,707

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Available-for-sale equity securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs for those investments in unrestricted A shares on the SSE and SZSE. Fair value for those restricted A shares is based on valuation techniques, as set out in note 22.

(ii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) Financial guarantees

Financial guarantees were issued by the Company to its subsidiaries for bank loan borrowings. The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. As the interest rate differential on the interest rate of the guaranteed and non-guaranteed bank loans is insignificant, the fair value of the financial guarantees issued was negligible.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(g) Estimation of fair values (continued)

(iv) Interest rates used for determining fair value

The Group and the Company use the market rate of long-term loan as of 31 December 2008 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2008	2007
Bank loans and other borrowings	**4.78% – 5.35%**	5.02% – 7.65%
Loans and receivables	**5.31% – 5.40%**	5.91% – 6.57%

38 COMMITMENTS

(a) Capital commitments outstanding at 31 December not provided for in the financial statements were as follows:

	The Group		**The Company**	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Contracted for	**4,219,590**	2,877,795	**3,503**	10,655
Authorised but not contracted for	**7,685,571**	6,148,976	**30,277**	72,124
	11,905,161	9,026,771	**33,780**	82,779

(b) As disclosed in note 40(b)(viii), the Company is committed to pay trademark licence fee to Conch Holdings at RMB1,513,000 (2007: RMB1,513,000) per annum. The licence agreement does not indicate an expiry date of the agreement.

39 CONTINGENT LIABILITIES

At 31 December 2008, the Company has issued guarantees to banks in respect of bank loans of its subsidiaries amounting to RMB720,000,000 (2007: RMB1,578,000,000). The directors do not consider it probable that a claim will be made against the Company under any of these guarantees.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 MATERIAL RELATED PARTY TRANSACTIONS

(a) Related parties information

In addition to the associates and jointly controlled entities of the Group as disclosed in notes 18 and 19 of these financial statements, the directors are of the view that the following entities are related parties of the Group.

Name of related party	Nature of relationship
Conch Holdings 安徽海螺集團有限責任公司	Substantial shareholder of the Company
Conch Venture 安徽海螺創業投資有限責任公司	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 (“Grand Hotel”) 蕪湖海螺國際大酒店	Subsidiary of Conch Holdings
Conch Profiles and Science 蕪湖海螺型材科技股份有限公司	Subsidiary of Conch Holdings
Yingde Profiles 英德海螺型材有限責任公司	Subsidiary of Conch Holdings
Anhui Conch Construction Materials Design Centre (“Conch Design”) 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Anhui Conch Information Technology Engineering Co., Ltd. (“Conch Information”) 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Holdings
Conch New Materials 蕪湖海螺新材料有限公司	Subsidiary of Conch Holdings
Sanshan Port 蕪湖三山港務有限公司	Subsidiary of Conch Venture
Conch Kawasaki 安徽海螺川崎工程有限公司	Joint venture of Conch Venture
Conch Kawasaki Energy Conservation 安徽海螺川崎節能設備製造有限公司	Joint venture of Conch Venture
Chaodong Group 安徽巢東水泥集團有限責任公司	A supervisor of the Company is also the Chairman of Chaodong Group

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Transactions between the Group and related companies

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year.

(i) Sales of goods

	2008 **RMB'000**	2007 RMB'000
Conch Kawasaki Energy Conservation	**2,139**	–
Conch Profiles and Science	**2,075**	–
Conch New Materials	**812**	–
Sanshan Port	**424**	–
	5,450	–

(ii) Purchase of materials

	2008 **RMB'000**	2007 RMB'000
Conch Profiles and Science	**2,091**	3,076
Yingde Profiles	**1,874**	1,917
	3,965	4,993

(iii) Purchase of fixed assets

	2008 **RMB'000**	2007 RMB'000
Conch Kawasaki Energy Conservation	**56,000**	–
Conch Kawasaki	**786,060**	41,520
	842,060	41,520

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Transactions between the Group and related companies (continued)

(iv) Provision of service

	2008 **RMB'000**	2007 RMB'000
Conch Kawasaki	**8,286**	–
Conch Profiles and Science	**17,411**	–
	25,697	–

(v) Receiving services

	2008 **RMB'000**	2007 RMB'000
Conch Design	**18,293**	16,150
Grand Hotel	**2,700**	2,100
Conch Information	**1,940**	–
Sanshan Port	**622**	–
	23,555	18,250

(vi) Import machinery through Conch International Trading

	2008 **RMB'000**	2007 RMB'000
Conch Profiles and Science*	**–**	2,824
Yingde Profiles*	**–**	239
	–	3,063

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Transactions between the Group and related companies (continued)

(vii) Disposal of other investment in equity securities

	2008 RMB'000	2007 RMB'000
Grand Hotel	–	690

(viii) Transactions with Conch Holdings

	2008 RMB'000	2007 RMB'000
Trademark licence fees payable (note (a))	**1,513**	1,513
Composite service fees payable (note (b))	**3,277**	3,261
Loan guarantees obtained (note (c))	**7,644,800**	10,459,800
Trademark licence fee received on behalf of Conch Holding (note (d))	**4,735**	–
Acquisition of minority interests (note 36(d)(iii))	**10,709**	–

Notes:

(a) The Company has entered into a trademark licence agreement with Conch Holdings, pursuant to which Conch Holdings granted the Company exclusive rights to use and apply the Conch trademarks within and outside the PRC in respect of all cement and clinker products of the Group. In return, the Company agreed to pay RMB1,513,000 to Conch Holdings annually. Such licence fees have been charged to the Group since 1 January 1998.

(b) Conch Holdings charged the Company a total amount of RMB3,277,000 (2007: RMB3,261,000) for various services rendered and facilities provided during the year ended 31 December 2008.

(c) Conch Holdings provided guarantees for certain borrowings of the Company and its subsidiaries. These guarantees are free of any charges to the Company and its subsidiaries (note 32).

(d) The Company received a total amount of RMB4,735,000 trademark licence fee on behalf of Conch Holding during the year ended 31 December 2008.

* These relate to transactions with related parties by Conch International Trading prior to acquisition by the Company in 2007.

Notes to the financial statements
(Expressed in Renminbi Yuan unless otherwise indicated)

40 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 transactions mentioned in note 40(b), the Group has transactions with other state-controlled entities include but not limited to the following:

– 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 require disclosure as related party transactions:

	2008	2007
	RMB'000	RMB'000
Purchase of coal	**1,170,488**	1,017,036
Interest expenses	**832,946**	732,379
Cash at bank	**6,749,107**	1,416,090
Prepayments and other receivables	**22,354**	75,000
Bank loans	**9,000,205**	13,315,530

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2008 RMB'000	2007 RMB'000
Short-term employee benefits	**7,206**	4,664
Post-employment benefits	**96**	53
	7,302	4,717

Total remuneration is included in "staff costs" (see note 6(b)).

41 NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) The directors proposed a final dividend on 30 March 2009 as disclosed in note 11.

(b) On 26 February 2009, the board of directors of the Company applied to the SSE for the listing of the 496,912,000 A shares with trading restrictions (representing approximately 28% of the total issued A shares of the Company as at 31 December 2008) in the Company held by Conch Holdings on the SSE. The SSE approved the listing of such 496,912,000 A shares with trading restrictions on 2 March 2009.

42 IMMEDIATE AND ULTIMATE CONTROLLING COMPANY

At 31 December 2008, the directors consider the immediate parent and ultimate controlling company of the Group to be Conch Holdings and Anhui Provincial Investment Group Limited respectively, which are both state-owned enterprises established in the PRC.

43 ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The significant accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Impairment for non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36, Impairment of Assets. The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, tariff and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, tariffs and amount of operating costs.

(b) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account upgrading and improvement work performed, and anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in customer preference and competitor actions in response to serve industry cycles. Management measures these estimates at each balance sheet date.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Impairment for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of customers to make the required payments. The Group bases the estimates on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(e) Fair value

In determining the fair value of the financial instruments, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

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

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.

So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments are expected to result in new or amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

		Effective for accounting periods beginning on or after
IFRS 8	Operating segments	1 January 2009
Revised IAS 1	Presentation of financial statements	1 January 2009

Documents for Inspection

(1) Financial statements with the signatures and seals of the legal representative, person-in-charge of the accounting function and person-in-charge of the accounting department affixed.

(2) Original of the audited report with the seal of the accounting firm affixed and the signatures and seals of the registered accountants affixed.

(3) Originals of all the documents and the announcements of the Company which were disclosed in newspaper designated by the CSRC during the Reporting Period.

(4) Annual report published on the Stock Exchange.

Anhui Conch Cement Co., Ltd.

30 March 2009

Written Confirmation of Directors and members of the Senior Management on the Annual Report of 2008

Pursuant to the requirements and provisions of Securities Law and No. 2: "Content and Format of Annual Reports'' of ''Standards of Contents and Format for Information Disclosure of Companies Which Are Securities Issuers'' (as revised in 2007), as the Directors and members of the senior management of Anhui Conch Cement Co., Ltd., upon full understanding and review of the annual report of 2008 and summary of the annual report, we are of the view that:

1. the Company has strictly complied with the financial regulations for a joint stock company in its operation, the annual report for 2008 and its summary have fairly reflected the financial position and operating results of the Company for the year;

2. the audited financial statements of Anhui Conch Cement Co., Ltd. for 2008 as audited by KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants are objective, true and fair.

We warrant that the information disclosed in the annual report for 2008 and its summary is true, accurate and complete, and we undertake that it does not contain misrepresentation, misleading statement or material omissions, and we are severally and jointly responsible for the truefulness, accuracy and completeness of its contents.

Name	**Position**	**Name**	**Position**
Guo Wensan	Chairman	Kang Woon	Independent non-executive Director
Chan Yuk Tong	Independent non-executive Director	Ding Meicai	Independent non-executive Director
Guo Jingbin	Executive Director	Ren Yong	Executive Director, general manager
Yu Biao	Executive Director	Li Shunan	Executive Director
Qi Shengli	Deputy general manager	Wang Pengfei	Deputy general manager
He Chengfa	Deputy general manager	Wang Jianchao	Deputy general manager
Zhang Mingjing	Deputy general manager, secretary to the Board	Wu Bin	Assistant general manager

30 March 2009