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安徽海螺水泥股份有限公司

**ANHUI CONCH CEMENT COMPANY LIMITED**

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 0914)

### **Results for the year ended 31 December 2008**

Revenue for year 2008 amounted to approximately RMB24,228.27 million (in accordance with International Financial Reporting Standards), representing an increase of 29.04% from that of 2007.

Net profit attributable to equity shareholders of the Company for year 2008 amounted to approximately RMB2,607.22 million (in accordance with International Financial Reporting Standards), representing an increase of 5.12% from that of 2007.

Earnings per share for year 2008 was RMB1.55 (in accordance with International Financial Reporting Standards), representing a decrease of 8.28% from that of 2007.

Unless otherwise stated, the currency unit in this announcement refers to Renminbi, the lawful currency of the People's Republic of China ("PRC"); unless otherwise stated, the financial information in this announcement is prepared in accordance with China Accounting Standards for Business Enterprises (2006) ("PRC Accounting Standards").

#### **I. BASIC CORPORATE INFORMATION OF THE COMPANY**

##### 1. Basic information

A Shares stock abbreviation	Conch Cement
A Shares stock code	600585
Exchange on which A Shares are listed	The Shanghai Stock Exchange ("SSE")
H Shares stock code	0914

Exchange on which H Shares are listed	The Stock Exchange of Hong Kong Limited ("Stock Exchange")
Registered address	209 Beijing East Road Wuhu City, Anhui Province, the PRC
Office address	1011 Jiuhuashan South Road, Wuhu City, Anhui Province, the PRC
Postal code	241000
E-mail address	cement@conch.cn
Website	<a href="http://www.conch.cn">http://www.conch.cn</a>

2. Contact persons and means of contact

	<b>Secretary to the board ("Board") of directors ("Directors") of the Company (Company Secretary)</b>	<b>Securities affairs representative</b>
Name	Zhang Mingjing	Yang Kaifa
Contact address	1011 Jiuhuashan South Road Wuhu City, Anhui Province	1011 Jiuhuashan South Road Wuhu City, Anhui Province
Telephone number	0086-553-8398918	0086-553-8398927
Fax number	0086-553-8398931	0086-553-8398931
E-mail address	dms@conch.cn	<a href="mailto:dms@conch.cn">dms@conch.cn</a>

## II. SUMMARY OF ACCOUNTING DATA AND OPERATION INFORMATION

### 1. Financial summary prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December

	(RMB'000)				
<b>Item</b>	<b>2008</b>	2007	2006	2005	2004
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	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, Anhui Conch Cement Company Limited (the “Company” or “Conch Cement”) 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, Anhui Conch Holdings Company Limited (“Conch Holdings”), which was a business combination under common control. The comparative figures for year 2004 to year 2006 were thus restated in the above table.

## 2. Accounting data prepared in accordance with PRC Accounting Standards

### (1) Profit indicators for the year

<b>Item</b>	<b>(RMB'000)</b> <b>Amount</b>
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

### (2) Extraordinary items and amount for the year

<b>Extraordinary items</b>	<b>(RMB'000)</b> <b>Amount</b>
(1) Gain on disposal of long term equity investment and fixed assets	<b>3,682</b>
(2) Government subsidy income	<b>172,994</b>
(3) Net realized gain on disposal of trading equity securities and available-for-sale equity securities	<b>44,554</b>
(4) Interest income from held-to-maturity investments	<b>8,325</b>
(5) Other extraordinary items	<b>7,811</b>
(6) Effect of extraordinary items on income tax	<b>(55,351)</b>
(7) Effect of extraordinary items on minority interests	<b>2</b>
<b>Total</b>	<b>182,017</b>

## (3) Major accounting data and financial indicators for the preceding three years

(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

(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 previous years.

## (4) Cash dividend in the previous three years

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

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

(RMB'000)

	Net Profit attributable to shareholders of the Company		Equity attributable to equity shareholders of the Company	
	2008 1 January to 31 December (Audited)	2007 1 January to 31 December (Audited)	As at 31 December 2008 (Audited)	As at 31 December 2007 (Audited)
As reported in the statutory financial statements prepared 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 right upon restructuring of the Company and its subsidiaries (together "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)
Amount prepared in accordance with IFRS	<u>2,607,223</u>	<u>2,480,146</u>	<u>24,421,473</u>	<u>10,782,913</u>

### III Changes in Share Capital and Shareholdings

#### 1. Changes in share capital

(Unit: Shares)

Class of shares	Before change		Increase/decrease (+, -)			After change	
	Number	(%)	Issue of new shares	Others	Subtotal	Number	(%)
<b>I. Shares with trading restrictions</b>	870,450,193	55.6	0	-62,695,877	-62,695,877	807,754,316	45.73
1. State-owned legal person shares	582,451,147	37.2	0	-62,784,000	-62,784,000	519,667,147	29.42
2. Other domestic shares	287,999,046	18.4	0	+88,123	+88,123	287,999,046	16.31
<b>II. Shares without trading restrictions</b>	695,984,000	44.4	+200,000,000	+62,695,877	+262,695,877	958,679,877	54.27

1. RMB-denominated ordinary shares (“A Shares”)	262,784,000	168	+200,000,000	+62,695,877	+262,695,877	525,479,877	29.75
2. Overseas-listed foreign shares (“H Shares”)	433,200,000	27.6	0	0	0	433,200,000	24.52
<b>III. Total number of shares</b>	<b>1,566,434,193</b>	<b>100</b>	<b>+200,000,000</b>	<b>0</b>	<b>+200,000,000</b>	<b>1,766,434,193</b>	<b>100</b>

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
Anhui Conch Venure Investment Co., Ltd. (“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 1 <sup>st</sup> 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	—	—

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 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. 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. 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:

	<b>Name of shareholder</b>	<b>Nature of shareholder</b>	<b>Number of shares held at the end of the reporting period</b>	<b>Percentage of shareholding (%)</b>	<b>Class of shares</b>
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.
- (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.

**4. Information on the controlling shareholder and beneficial owners**

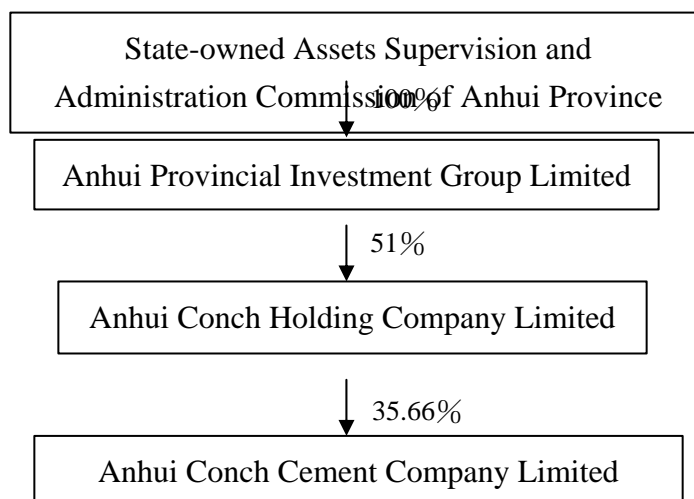
During the reporting period, there was no change in the controlling shareholder and beneficial owners of the Company.

**(1) Information on the controlling shareholder of the Company**

Name in English:	Anhui Conch Holdings Company Limited
Legal representative:	Guo Wensan
Date of establishment:	8 November 1996
Registered capital:	RMB800 million
Principal business activities:	Asset management, 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.

**(2) Information on the controlling shareholder’s controlling shareholder of the Company**

Anhui Provincial Investment Group Limited (“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:



**(3) 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.

**5 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.

**IV. Directors, Supervisors, Senior Management and Staff**

**1. 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 who held 88,123 A Shares (representing 0.005% of the total share capital of the Company) as at the end of the year, none of the Directors, supervisors (“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 Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“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 Rules (“Listing Rules of the Stock Exchange”) Governing the Listing of Securities on the Stock Exchange.

## **2. 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. The remuneration received by Mr. Ding Feng, the staff representative Supervisor from the Company in 2008 was set out below:

(Unit: RMB)

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

During the reporting period, Mr. Guo Wensan, Chairman, Mr. Guo Jinbin, Mr. Yu Biao, Mr. Li Shunan executive Directors of the Company, and Mr. Wang Jun, the chairman of the supervisory committee (“Supervisory Committee”), did not receive any remuneration from the Company, and will not request the Company for payment of remuneration for the reporting period.

(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 paid by the Company to them were set out as follows:

<b>Name</b>	<b>Position</b>	<b>Allowances (RMB)</b>
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**

<b>Name</b>	<b>Position</b>	<b>Total remuneration for the year (RMB)</b>
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
<b>Total</b>		<b>6,887,061</b>

- Notes:
1. The abovementioned annual remunerations of senior management 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.

**V. Corporate Governance**

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.

The financial report and annual results for the year 2008 of the Company have been reviewed by the audit committee of the Board. Directors of the Company agree and acknowledge their individual and joint responsibility for preparing the financial reports and accounts for the current year.

## **VI. 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 in 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 increases in the costs of production and the 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 the 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 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.

### ***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 Anhui Xuancheng Conch Cement Co., Ltd. (“Xuancheng Conch”) and Wuhu Conch Cement Co., Ltd. (“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 Anhui Chizhou Conch Cement Co., Ltd. (“Chizhou Conch”), Anhui Digang Conch Cement Co., Ltd. (“Digang Conch”), Yiyang Conch Cement Co., Ltd. (“Yiyang Conch”) and Shimen Conch Cement Co., Ltd. (“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 Xinning Conch Cement Co., Ltd. (“Fusui Conch”) and Anhui Tongling Conch Cement Co., Ltd. (“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 at 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 relatively 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 to expand 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.

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 improving 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 amount

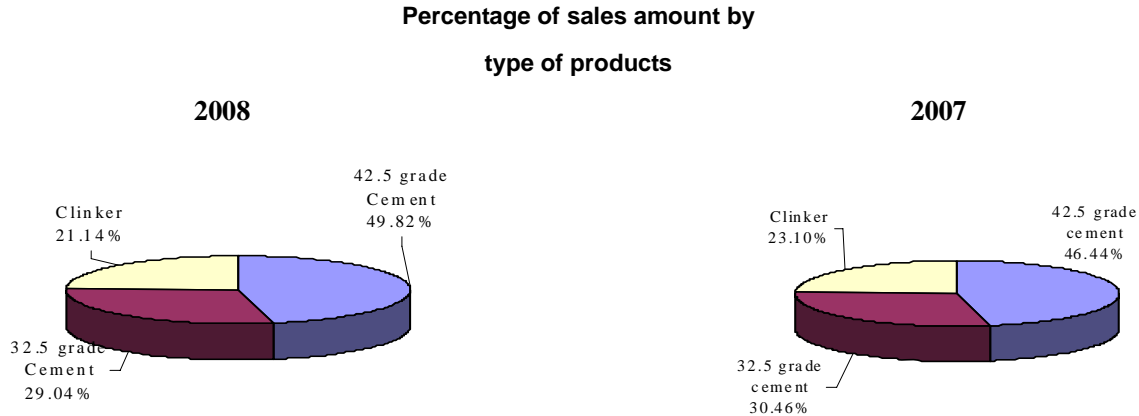
Region	2008		2007		Change in sales (%)	Change in sale proportion (percentage points)
	Sales (RMB'000)	Percentage (%)	Sales (RMB'000)	Percentage (%)		
East China <sup>Note1</sup>	10,406,404	43.50	7,325,028	39.57	42.07	3.93
Central China <sup>Note2</sup>	5,987,365	25.02	4,636,892	25.05	29.12	(0.03)
South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

- 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,

exports 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.

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.



*Profit Analysis*

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

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

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 integrated selling prices. 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 (%)		Year-on-year change of gross profit margins in percentage points
			for the reporting period	for the same period last year	
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)
<b>Total</b>	<b>23,926,991</b>	<b>17,920,871</b>	<b>25.10</b>	<b>31.51</b>	<b>(6.41)</b>

(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 (%)		Change in proportion to revenue from principal activities in percentage points
			for the reporting period	over the same period last year	
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)
<b>Total</b>	<b>2,958,894</b>	<b>2,547,112</b>	<b>12.37</b>	<b>13.57</b>	<b>(1.20)</b>

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.

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

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:

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

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 RMB478.38 million and commercial acceptance bills of RMB400 million.

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

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

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-rising 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:

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

### 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 with 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 the falling profitability in the industry. The Group will seize the opportunities arising from the increasing investment in infrastructure development of the PRC Government 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 favourable 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 technology indicators, 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 professional systems and to establish a sound internal control management system corresponding to the size of the Company. The Group will also bring advancement to its professional management procedures and policies system in order to enhance professional managing and monitoring capabilities, and to increase the risk-taking ability of the Company. Meanwhile, the Group will continue to put forward regional management and fully utilize the function of the regional committees (i.e. management committees specially established for implementation of regional management by identifying certain subsidiaries in a particular province or its neighboring region as a regional management unit), aiming at realizing the optimization of resources allocation in those regions, and amplifying 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 for 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 of Jiangxi. Further, the Group will also actively monitor the preparation and pre-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 construction-in-progress 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 magnify the innovation and application of energy saving technology, 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 standard raw coal and reducing 3.9 million tonnes 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!

## **VII. Report of the Directors**

### **1. Dividend 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 year 2008 amounted to RMB2,607,010,000 and RMB2,607,220,000 respectively. The profit distribution for the period ended 31 December 2008 recommended by the Board of the Company is set out as follows:

- (1) Pursuant to the requirements of the Articles of Association of the Company, it is proposed that based on the financial accounts prepared in accordance with the PRC Accounting Standards, 10% of the net profits 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.

As far as the Company is aware, as at the date of this announcement, there was no arrangement under which a shareholder has waived or agreed to waive any dividend proposed to be distributed for 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 implementing rules which came into effect on 1 January 2008, and the Notice on Issues relating to Withholding and Paying of Enterprise Income Tax by Chinese Resident Enterprises 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》(國稅函〔2008〕897號) 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 to be 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.

## 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 Cement Co., Ltd. (“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 1 <sup>st</sup> 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
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 Anhui Huaining Conch Cement Co., Ltd.	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 Anhui Zongyang Conch	In operation	275,060	268,310	167,060

	Cement Co., Ltd. (“Zongyang Conch”)				
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 Cement Co., Ltd. (“Xing’an Conch”)	In operation	133,040	55,300	5,330
19	18MW residual heat electricity generation project of Shuangfeng Conch Cement Co., Ltd. (“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 Cement Co., Ltd. (“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	-
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 Anhui Conch Machinery & Electric Co., Ltd.	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
	<b>Total</b>		<b>11,618,815</b>	<b>8,107,270</b>	<b>1,263,180</b>

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 Cement Co., Ltd. (“Prosperity Conch”) and the second set of the 2×18MW residual heat electricity generation project of Xuancheng Conch. The above projects were not 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 plan of the use of 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:

Unit: RMB'000

<b>Item</b>	<b>Description of proposed investment projects</b>	<b>Progress of the project</b>	<b>Total investment amount</b>	<b>Investment amount proposed to be funded by the Proceeds</b>
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.	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.	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.	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.	Under construction	767,250	300,000
	<b>Sub-total</b>	-	<b>3,174,970</b>	<b>1,200,000</b>
5	Repayment of bank loans	-	-	1,230
	<b>Total</b>	-	<b>3,174,970</b>	<b>1,201,230</b>

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.

## 2. Major investments not applying fund raised from the Proceeds during the reporting period

Unit: RMB'000

Item	Description of investment projects	Progress of project	Capital committed 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.	Under construction	206,430	-
6	9MW residual heat electricity generation project of Xingye Kuiyang Conch Cement Co., Ltd.	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	-
	<b>Total</b>		<b>1,070,560</b>	<b>28,810</b>

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

## VIII. Significant Events

### (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)	Proportion 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:

i. 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;

ii. The above shares held by the Company were recognized in “Available-for-sale equity securities”.

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 Group 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 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 Rules Governing the Listing of Stocks on the SSE (“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 Yingde Longshan Cement Co., Ltd. (“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 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.

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) 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 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 Anhui Conch Kawasaki Engineering Co., Ltd. (“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 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 Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. (“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.

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 Anhui Conch Building Materials Design Centre (“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, Anhui Wuhu Conch Construction and Installation Co., Ltd. (“Conch Construction”), a subsidiary of the Company, and Wuhu Conch Profiles and Science Co., Ltd. (“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.

Conch Profiles is owned as to approximately 32% by Anhui Conch Building Material Co., Ltd. (“Conch Building Material”), 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.

## **(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 loans.

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 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 announcement, 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 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 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 shareholders 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.

## Financial Information

Financial information extracted from the audited consolidated income statement of the Group for the year ended 31 December 2008 and audited consolidated balance sheet of the Group at 31 December 2008 together with the 2007 comparative figures, prepared in accordance with IFRS and presented on the basis described in Note 3(1) below are as follows:

### 1 Consolidated income statement for the year ended 31 December 2008

	<i>Note</i>	<i>2008</i>	<i>2007</i>
		RMB'000	RMB'000
<b>Revenue</b>	3(3)	24,228,268	18,776,098
Cost of sales and services rendered		<u>(18,320,590)</u>	<u>(13,047,187)</u>
<b>Gross profit</b>		5,907,678	5,728,911
Other revenue	3(4)	324,303	325,901
Other net income	3(4)	60,719	17,343
Selling and marketing costs		(1,366,425)	(1,219,228)
Administrative expenses		<u>(840,435)</u>	<u>(722,049)</u>
<b>Profit from operations</b>		4,085,840	4,130,878
Finance costs	3(5) (a)	(820,758)	(633,161)
Share of profits of associates		4,356	3,706
Share of losses of jointly controlled entities		<u>(351)</u>	<u>-</u>
<b>Profit before taxation</b>	3(5)	3,269,087	3,501,423
Income tax	3(6)	<u>(591,080)</u>	<u>(813,197)</u>
<b>Profit for the year</b>		<u><u>2,678,007</u></u>	<u><u>2,688,226</u></u>
<b>Attributable to:</b>			
Equity shareholders of the Company		2,607,223	2,480,146
Minority interests		<u>70,784</u>	<u>208,080</u>

**Profit for the year**

2,678,007

2,688,226

## 1 Consolidated income statement for the year ended 31 December 2008 (Continued)

	<i>Note</i>	2008 RMB'000	2007 RMB'000
<b>Dividends payable to equity shareholders of the Company attributable to the year:</b>	3(7)		
Final dividend proposed after the balance sheet date		<u>529,930</u>	<u>-</u>
<b>Earnings per share</b>	3(8)		
- Basic		<u>RMB 1.55</u>	<u>RMB 1.69</u>
- Diluted		<u>RMB 1.55</u>	<u>RMB 1.69</u>

## 2. Consolidated balance sheet at 31 December 2008

	<i>Note</i>	2008		2007	
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>					
Fixed assets					
- Property, plant and equipment			25,166,895		21,469,915
- Interests in leasehold land held for own use under operating leases			<u>1,263,652</u>		<u>999,377</u>
			26,430,547		22,469,292
Intangible assets			248,203		231,520
Goodwill			16,120		16,120
Interest in associates			163,281		162,925
Interest in jointly controlled entities			159,649		-
Loans and receivables			222,745		199,306
Other investments in equity securities			10		10
Available-for-sale equity securities			1,201,757		326,901
Deferred tax assets			<u>68,970</u>		<u>79,642</u>
			28,511,282		23,485,716

## 2. Consolidated balance sheet at 31 December 2008 (continued)

	<i>Note</i>	<i>2008</i>		<i>2007</i>	
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Current assets</b>					
Inventories		1,870,366		1,562,552	
Trade receivables	3(9)	4,203,103		3,470,929	
Prepayments and other receivables		635,605		530,464	
Amounts due from related parties		344,846		423,140	
Tax recoverable		19,170		30,799	
Restricted cash deposits		48,153		5,977	
Cash at bank and in hand		<u>6,751,211</u>		<u>1,411,707</u>	
		13,872,454		7,435,568	
		-----		-----	
<b>Current liabilities</b>					
Trade payables	3(10)	3,470,634		1,930,814	
Other payables and accruals		2,395,096		2,240,716	
Bank loans and other borrowings		4,795,176		4,937,633	
Amounts due to related parties		220,313		108,013	
Current portion of long-term payables		7,325		9,156	
Current taxation		<u>285,686</u>		<u>406,998</u>	
		11,174,230		9,633,330	
		=====		=====	
<b>Net current assets/(liabilities)</b>			<u>2,698,224</u>		<u>(2,197,762)</u>
<b>Total assets less current liabilities</b>			31,209,506		21,287,954
<b>Non-current liabilities</b>					
Bank loans and other borrowings		6,033,455		9,822,027	
Long-term payables		33,231		50,053	
Deferred income		235,593		148,441	
Deferred tax liabilities		<u>19,907</u>		<u>20,331</u>	
			<u>6,322,186</u>		<u>10,040,852</u>
<b>NET ASSETS</b>			<u>24,887,320</u>		<u>11,247,102</u>

## 2. Consolidated balance sheet at 31 December 2008 (continued)

	<i>Note</i>	<i>2008</i>	<i>2007</i>
		RMB'000	RMB'000
<b>CAPITAL AND RESERVES</b>			
Share capital		1,766,434	1,566,434
Reserves		<u>22,655,039</u>	<u>9,216,479</u>
<b>Total equity attributable to equity shareholders of the Company</b>		24,421,473	10,782,913
Minority interests		<u>465,847</u>	<u>464,189</u>
<b>TOTAL EQUITY</b>		<u>24,887,320</u>	<u>11,247,102</u>

## 3. Notes

### (1) Basis of preparation

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.

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; and
- derivative financial instruments.

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

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 will be shown in the Company's audited financial report for the year 2008.

## **(2) 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.

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

## **(3) Revenue and segment reporting**

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	<u>85,452</u>	<u>36,789</u>
	<u>24,228,268</u>	<u>18,776,098</u>

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	2007
	RMB'000	RMB'000
Revenue from external customers		
- the PRC	21,531,460	15,853,136
- Others	<u>2,696,808</u>	<u>2,922,962</u>
	<u>24,228,268</u>	<u>18,776,098</u>

#### **(4) Other revenue and net income**

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

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

	2008 RMB'000	2007 RMB'000
<b><i>Other net income</i></b>		
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	<u>3,482</u>	<u>18,104</u>
	<u>60,719</u>	<u>17,343</u>

**(5) 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	<u>58,391</u>	<u>31,176</u>
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*	<u>(92,794)</u>	<u>(109,344)</u>
	<u>820,758</u>	<u>633,161</u>

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

	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	<u>-</u>	<u>23,655</u>
	<u>860,281</u>	<u>662,642</u>

	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	<u>20</u>	<u>30</u>

**(6) Income tax in the consolidated income statement**

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

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

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:

- (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%.

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

	<i>2008</i>	<i>2007</i>
	RMB'000	RMB'000
Profit before taxation	<u>3,269,087</u>	<u>3,501,423</u>
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	<u>-</u>	<u>15,001</u>
Actual tax expense	<u>591,080</u>	<u>813,197</u>

**(7) Dividends**

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

	<i>2008</i>	<i>2007</i>
	RMB'000	RMB'000
Final dividend proposed after the balance sheet date of RMB 0.30 per ordinary share (2007: nil)	<u>529,930</u>	<u>-</u>

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:**

	<i>2008</i>	<i>2007</i>
	RMB'000	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)	<u>-</u>	<u>251,136</u>

**(8) 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

	<i>2008</i>	<i>2007</i>
	thousand	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	<u>116,667</u>	<u>-</u>
Weighted average number of ordinary shares at 31 December	<u>1,683,101</u>	<u>1,470,434</u>

**(b) Diluted earnings per share**

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

**(9) Credit policy and aging analysis on trade receivables**

**(a) Credit policy**

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 is granted.

**(b) Aging analysis on trade receivables**

	<i>2008</i>	<i>2007</i>
	RMB'000	RMB'000
Current or overdue within 60 days (inclusive)	4,202,831	3,469,397
Overdue between 60 days and 1 year (inclusive)	170	1,093
Overdue between 1 and 2 years (inclusive)	-	439
Overdue between 2 and 3 years (inclusive)	<u>102</u>	<u>-</u>
	<u>4,203,103</u>	<u>3,470,929</u>

**(10) Aging analysis on trade payables**

	2008 RMB'000	2007 RMB'000
Overdue within 1 year (inclusive) or on demand	3,456,043	1,927,139
Overdue between 1 and 2 years (inclusive)	12,059	2,308
Overdue between 2 and 3 years (inclusive)	2,216	1,112
Over 3 years	<u>316</u>	<u>255</u>
	<u>3,470,634</u>	<u>1,930,814</u>

By order of the Board  
**Anhui Conch Cement Company Limited**  
Chairman  
**Guo Wensan**

Wuhu City, Anhui Province, the PRC  
30 March 2009

As at the date of this announcement, the Board comprises (i) Mr Guo Wensan, Mr Guo Jingbin, Mr Ren Yong, Mr Yu Biao and Mr Li Shunan as executive directors, and (ii) Mr Kang Woon, Mr Chan Yuk Tong, and Mr Ding Meicai as independent non-executive directors.