2009 ANNUAL REPORT

Anhui Conch Cement Company Limited

(H Share: 0914)

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

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

Definitions

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

The Company/Conch Cement	:	Anhui Conch Cement Co., Ltd.
The Group	:	The Company and its subsidiaries
Board	:	Board of Directors of the Company
Director(s)	:	Director(s) of the Company
Supervisory Committee	:	supervisory committee of the Company
Supervisor(s)	:	supervisor(s) of the Company
Beiliu Conch	:	Beiliu Conch Cement Co., Ltd.
Baimashan Cement Plant	:	Baimashan Cement Plant of Anhui Conch Cement Co., Ltd.
Chizhou Conch	:	Anhui Chizhou Conch Cement Co., Ltd.
Chongqing Conch	:	Chongqing Conch Cement Co., Ltd.
Chaodong Cement	:	Anhui Chaodong Cement Co., Ltd.
Digang Conch	:	Anhui Digang Conch Cement Co., Ltd.
Dazhou Conch	:	Dazhou Conch Cement Co., Ltd.
Fusui Conch	:	Fusui Xinning Conch Cement Co., Ltd.
Fenyi Conch	:	Fenyi Conch Cement Co., Ltd.
Guangyuan Conch	:	Guangyuan Conch Cement Co., Ltd.
Guiding Conch	:	Guiding Conch Panjiang Cement Co., Ltd.
Guiyang Conch	:	Guiyang Conch Panjiang Cement Co., Ltd.
Ganjiang Conch	:	Jiangxi Ganjiang Conch Cement Co., Ltd.
Hunan Conch	:	Hunan Conch Cement Co., Ltd.

Huaining Conch	:	Anhui Huaining Conch Cement Co., Ltd.
Conch Holdings	:	Anhui Conch Holdings Co., Ltd.
Conch Venture	:	Anhui Conch Venture Investment Co., Ltd.
Conch Venture Property	:	Wuhu Conch Venture Property Co., Ltd.
Conch Profiles	:	Wuhu Conch Profiles and Science Co., Ltd.
Conch International	:	Shanghai Conch International Investment and Development Co., Ltd.
Conch Kawasaki Engineering	:	Anhui Conch Kawasaki Engineering Co., Ltd.
Conch Kawasaki Equipment	:	Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.
Conch Design	:	Anhui Conch Construction Materials Design Institute
Conch Hotel	:	Wuhu Conch International Hotel Co., Ltd.
Conch M & E	:	Anhui Conch -Mechanical & Electrical Equipment Co., Ltd.
Conch Building Materials	:	Anhui Conch Building Materials Co., Ltd.
Conch Construction	:	Anhui Wuhu Conch Construction and Installation Engineering Co., Ltd.
Jiangmen Conch	:	Jiangmen Conch Cement Co., Ltd.
Liquan Conch	:	Liquan Conch Cement Co., Ltd.
Longshan Cement	:	Yingde Longshan Cement Co., Ltd.
Nanchang Conch	:	Nanchang Conch Cement Co., Ltd.
Ping An Trust	:	Ping An Trust & Investment Co., Ltd.
Pingliang Conch	:	Pingliang Conch Cement Co., Ltd.
Qianyang Conch	:	Qianyang Conch Cement Co., Ltd.

Qingxin Cement	:	Guangdong Qingxin Cement Co., Ltd.
Shuangfeng Conch	:	Shuangfeng Conch Cement Co., Ltd.
Shimen Conch	:	Shimen Conch Cement Co., Ltd.
Tongling Conch	:	Anhui Tongling Conch Cement Co., Ltd.
Wuhu Conch	:	Wuhu Conch Cement Co., Ltd.
Wuhu Plastic	:	Wuhu Conch Plastic Products Co., Ltd.
Xuancheng Conch	:	Anhui Xuancheng Conch Cement Co., Ltd.
Xing'an Conch	:	Xing'an Conch Cement Co., Ltd.
Xingye Conch	:	Xingye Kuiyang Conch Cement Co., Ltd.
Prosperity Conch	:	Prosperity Conch Cement Co., Ltd.
Yiyang Conch	:	Yiyang Conch Cement Co., Ltd.
Yangchun Conch	:	Yangchun Conch Cement Co., Ltd.
Zunyi Conch	:	Zunyi Conch Panjiang Cement Co., Ltd.
Zongyang Conch	:	Anhui Zongyang Conch Cement Co., Ltd.
Regional Committee(s)	:	Regional management unit(s) specially established by the Company for implementation of regional management in order to strengthen the Company's management over its subsidiaries and enhance management efficiency by organizing certain subsidiaries located in a particular province or neighboring areas into a regional management unit
Reporting Period	:	The period from 1 January 2009 to 31 December 2009
Stock Exchange	:	The Stock Exchange of Hong Kong Limited
Listing Rules of the Stock Exchange	:	The Rules Governing the Listing of Securities on the Stock Exchange

Definitions

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

Contents

(1)	**Official Chinese name of the Company**	:	安徽海螺水泥股份有限公司
	Official English name of the Company	:	ANHUI CONCH CEMENT COMPANY LIMITED
	Abbreviation in English	:	ACC
(2)	**Legal Representative of the Company**	:	Guo Wensan
(3)	**Secretary to the Board (Company Secretary)**	:	Zhang Mingjing
	Contact number	:	0086 553 8398918
	Fax number	:	0086 553 8398931
	Company secretary (Hong Kong)	:	Leo P. Y. Chiu
	Contact number	:	00852 2111 3220
	Fax number	:	00852 2111 3299
	Securities Affairs Representative	:	Yang Kaifa
	Contact number	:	0086 553 8398927
	Fax number	:	0086 553 8398931
	Email address	:	dms@conch.cn
(4)	**Registered address of the Company**	:	209 Beijing East Road, Wuhu City, Anhui Province, the PRC
	Office address of the Company	:	1011 Jiuhua South Road, Wuhu City, Anhui Province, the PRC
	Postal code	:	241070
	Email address of the Company	:	cement@conch.cn
	Website of the Company	:	http://www.conch.cn
	Contact address in Hong Kong	:	40/F, Jardine House, 1 Connaught Place, Central, Hong Kong
(5)	**Company's designated newspaper for information disclosure in the PRC**	:	Shanghai Securities Journal
	Website for publication of this report	:	http://www.sse.com.cn
	Location where this annual report is available for inspection	:	Secretariat to the Board of the Company

(6)	**Exchange on which the Company's shares are listed**		
	H Shares	:	the Stock Exchange
	Stock code	:	0914
	A Shares	:	SSE
	Stock code	:	600585
	Stock name	:	Conch Cement
(7)	**Date of first registration of the Company**	:	1 September 1997
	Place of first registration of the Company	:	Industrial and Commercial Administration Bureau, Anhui Province
	Date of registration of changes in particulars of the Company	:	26 June 2008
	Place of registration of changes in particulars of the Company	:	Industrial and Commercial Administration Bureau, Anhui Province
	Business license number for legal person	:	340000000000081
	Tax registration number	:	GSHZ 34020214949036-X DSHZ 34020214949036-X
(8)	**Legal adviser as to PRC law**	:	Jingtian & Gongcheng 34th Floor, Tower 3, China Central Place, 77 Jianguo Road, Chaoyang District, Beijing, the PRC
	Legal adviser as to Hong Kong law	:	Chiu & Partners 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
(9)	**International auditors**	:	KPMG Certified Public Accountants 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
	PRC auditors	:	KPMG Huazhen Certified Public Accountants 8th Floor, Office Tower 2, Oriental Plaza, 1 East Chang An Avenue, Beijing, the PRC
(10)	**H Shares share registrar and transfer office**	:	Hong Kong Registrars Limited 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

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

(Unit: RMB'000)

Item	**2009**	2008	2007	2006 (Restated)	2005 (Restated)
Revenue	**24,998,007**	24,228,268	18,776,098	16,096,057	13,385,677
Net profit attributable to equity shareholders of the Company for the year	**3,505,936**	2,607,223	2,480,146	1,543,767	513,639
Total assets	**47,003,951**	42,383,736	30,921,284	22,737,644	20,024,756
Total liabilities	**18,179,216**	17,496,416	19,674,182	14,152,667	13,117,620

Note: In 2007, the Company changed its accounting policies for business combination under common control from purchase method to pooling-of-interests method and made retrospective adjustments accordingly. In 2007, the Company acquired certain majority-owned subsidiaries of its holding company, Conch Holdings, which was a business combination under common control, and the comparative figures for year 2005 and 2006 were thus restated in the above table.

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

For details of financial statements prepared in accordance with PRC Accounting Standards, please refer to Chinese version of annual report.

1. Profit indicators for the Reporting Period

(Unit: RMB'000)

Item	**Amount**
Operating profit	4,260,155
Profit before taxation	4,476,543
Net profit attributable to equity shareholders of the Company	3,544,365
Net profit after extraordinary items attributable to equity shareholders of the Company	3,413,662
Net cash flow generated from operating activities	7,029,352

2. Extraordinary items and amount for the Reporting Period

(Unit: RMB'000)

Extraordinary items	Amount
(1) Gain on disposal of non-current assets	(34,043)
(2) Government subsidy	182,424
(3) Net realized gain on disposal of trading securities and available-for-sale equity securities	6,381
(4) Non-operating income and expenses other than the above items	4,183
(5) Other items that fall under the category of "extraordinary items"	10,855
(6) Effect of extraordinary items on income tax	(34,784)
(7) Effect of extraordinary items on minority interests	(4,313)
Total	**130,703**

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

(Unit: RMB'000)

Items	2009	2008	Year-on-year change (%)	2007
Revenue	**24,998,007**	24,228,268	3.18	18,776,098
Profit before taxation	**4,476,543**	3,245,749	37.92	3,484,988
Net profit attributable to equity shareholders of the Company	**3,544,365**	2,607,012	35.96	2,494,219
Net profit after extraordinary items attributable to equity shareholders of the Company	**3,413,662**	2,424,995	40.77	2,285,784
Basic earnings per share (RMB/share)	**2.01**	1.55	29.68	1.70
Diluted earnings per share (RMB/share)	**2.01**	1.55	29.68	1.70
Basic earnings per share after extraordinary items (RMB/share)	**1.93**	1.44	34.03	1.55
Diluted return on net assets (%)	**12.32**	10.51	Increased by 1.81 percentage points	22.51

(Unit: RMB'000)

Items	2009	2008	Year-on-year change (%)	2007
Weighted average return on net assets (%)	**13.17**	13.81	Decreased by 0.64 percentage points	26.39
Diluted return on net assets after extraordinary items (%)	**11.87**	9.78	Increased by 2.09 percentage points	20.63
Weighted average return on net assets after extraordinary items (%)	**12.69**	12.85	Decreased by 0.16 percentage points	24.19
Net cash flow generated from operating activities	**7,029,352**	5,266,375	33.48	2,668,807
Net cash flow per share generated from operating activities (RMB/share)	**3.98**	2.98	33.56	1.70

Items	**As at the end of 2009**	As at the end of 2008	Year-on-year change (%)	As at the end of 2007
Total assets	**47,148,498**	42,532,123	10.85	31,040,609
Total equity attributable to equity shareholders of the Company	**28,759,639**	24,796,664	15.98	11,079,605
Net assets per share attributable to equity shareholders of the Company (RMB/share)	**16.28**	14.04	15.98	7.07

4. Cash dividend for the preceding three years

Year	Cash dividend for the year (RMB'000)	Cash dividend for the year as a percentage of net profit attributable to equity shareholders of the Company
2006	251,136	16.54%
2007	–	–
2008	529,930	20.33%

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

(Unit: RMB'000)

	Net profit attributable to equity shareholders of the Company		Equity attributable to equity shareholders of the Company	
	1 January to 31 December 2009 (Audited)	1 January to 31 December 2008 (Audited)	**As at 31 December 2009 (Audited)**	As at 31 December 2008 (Audited)
As reported in the statutory financial statements in accordance with PRC Accounting Standards	**3,544,365**	2,607,012	**28,759,639**	24,796,664
– Reversal of valuation surplus of land use rights upon restructuring of the Group	**3,838**	3,838	**(144,550)**	(148,387)
– Deferral of subsidy income not subject to China Accounting Standards for Business Enterprises No.16 – Government Subsidy" in accordance with IFRSs	**(42,267)**	(3,627)	**(327,749)**	(226,804)
As reported in accordance with IFRSs	**3,505,936**	2,607,223	**28,287,340**	24,421,473

(1) CHANGES IN NUMBER OF SHARES AND THE SHAREHOLDING STRUCTURE DURING THE REPORTING PERIOD

(Unit: Share)

	Class of shares	Before change		Increase/decrease (+,-)			After change	
		Number	Percentage (%)	Issue of new shares	Others	Subtotal	Number	Percentage (%)
I.	Shares subject to trading restrictions	807,754,316	45.73	–	–497,000,123	–497,000,123	310,754,193	17.59
1.	State-owned legal person shares	519,667,147	29.42	–	–496,912,000	–496,912,000	22,755,147	1.29
2.	Other domestic shares	288,087,169	16.31	–	–88,123	–88,123	287,999,046	16.30
	Including:							
	Shares held by domestic non State-owned legal persons	287,999,046	16.30	–	–	–	287,999,046	16.30
	Shares held by domestic natural persons	88,123	0.01	–	–88,123	–88,123	–	–
II.	Shares not subject to trading restrictions	958,679,877	54.27	–	+497,000,123	+497,000,123	1,455,680,000	82.41
1.	RMB-denominated ordinary shares (i.e. A Shares)	525,479,877	29.75	–	+497,000,123	+497,000,123	1,022,480,000	57.89
2.	Overseas-listed foreign shares (i.e. H Shares)	433,200,000	24.52	–	–	–	433,200,000	24.52
III.	Total number of shares	1,766,434,193	100	–	–	–	1,766,434,193	100

Notes:

1. During the Reporting Period, 496,912,000 floating A Shares which had been subject to trading restrictions held by State-owned legal person (i.e. Conch Holdings) were released from trading restrictions.

2. During the Reporting Period, 88,123 shares held by Mr. Wang Jianchao, former deputy general manager of the Company were released from trading restrictions after the end of the six months period from his resignation, i.e. on 3 October 2009.

(2) CHANGES IN SHARES SUBJECT TO TRADING RESTRICTIONS:

(Unit: Share)

Name of shareholders	Number of shares subject to trading restrictions at the beginning of the year	Number of shares released from trading restrictions (decrease in the number of shares subject to trading restrictions) during the year	Increase in number of shares subject to trading restrictions during the year	Number of shares subject to trading restrictions at the end of the year	Reasons for trading restrictions	Date of release from trading restrictions
Conch Holdings	496,912,000	496,912,000	–	–	Share segregation reform	2 March 2009
Conch Holdings	22,755,147	–	–	22,755,147	private issue of shares	26 May 2010
Ping An Trust	–	–	203,828,265	203,828,265	See Note 2	26 May 2010
Conch Venture	287,999,046	203,828,265	–	84,170,781	See Note 2	26 May 2010
Wang Jianchao	88,123	88,123	–	–	Shares held by senior management	3 October 2009
Total	**807,754,316**	**700,828,388**	**203,828,265**	**310,754,193**	**–**	**–**

Notes:

1. Undertakings given by 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 were granted the right to list and trade on the SSE. After the expiration of such undertaking, the number of Shares held by Conch Holdings in Conch Cement to be sold through trading on the SSE shall not exceed 5% and 10% of the Company's total issued Shares (i.e. 1,255,680,000 Shares) as at the time of implementation of the share segregation reform during the period of 12 months and 24 months respectively. Pursuant to such undertaking, 62,784,000 Shares and 62,784,000 Shares held by Conch Holdings were released from trading restrictions on 7 March 2007 and 3 March 2008 respectively, totalling 125,568,000 Shares. On 2 March 2009, the remaining 496,912,000 shares held by Conch Holdings with trading restrictions imposed under share segregation reform were released from trading restrictions. Up to now, all the shares of the Company held by Conch Holdings under share segregation reform were released from trading restrictions, and have become floating shares which are listed and tradable on the SSE.

2. During the Reporting Period, 203,828,265 shares of the Company held by Conch Venture were used to offset certain indebtedness owing by it to Ping An Trust, and as a result the number of shares of the Company subject to trading restrictions held by Conch Venture was reduced to 84,170,781 shares. Accordingly, 203,828,265 shares of the Company with trading restrictions (registration for which share transfer with CSDCCL Shanghai Branch was completed on 28 July 2009) were held by Ping An Trust. Under the undertakings given by Conch Venture and Anhui Conch Holdings Co., Limited's Staff Association Committee (as the entrusting party of Ping An Trust – Conch Equity Interest) respectively, such shares remained as floating shares with trading restrictions and will be released from trading restrictions on 26 May 2010 (please refer to the respective announcements of the Company dated 18 July 2009 and 30 September 2009 for details).

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

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

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

(4) SUMMARY OF TRADING OF THE COMPANY'S SHARES IN 2009

	A Share/RMB	H Share/HK$
Opening price on the first trading day of the year	27.02	36.25
Closing price on the last trading day of the year	49.86	49.90
Highest trading price during the year	53.13	61.30
Lowest trading price during the year	27.02	30.55

(5) SHAREHOLDERS

1. As at 31 December 2009, the total number of registered shareholders was 23,146, of which 67 were registered holders of H Shares.

2. As at 31 December 2009, the shareholdings of the top ten registered shareholders and the top ten registered holders of floating shares of the Company are set out as follows:

	Name of shareholder	Nature of shareholder	Number of shares held at the end of the Reporting Period	Percentage of shareholding (%)	Class of shares
1	Conch Holdings (Note 1)	State-owned	635,588,343	35.98	A Share
2	HKSCC Nominees Limited (Note 2)	Foreign	432,688,997	24.50	H Share
3	Ping An Trust – Conch Equity Interest (Note 3)	Others	203,828,265	11.54	A Share
4	Conch Venture	Others	85,029,452	4.81	A Share
5	Bank of Communications – Fuguo Tianyi Value Securities Investment Fund	Others	10,618,228	0.60	A Share
6	Bank of Communications – E Fund Kexun Stock Securities Investment Fund	Others	10,000,000	0.57	A Share
7	The Industrial and Commercial Bank of China – Lion Value Growth Stock Securities Investment Fund	Others	9,669,731	0.55	A Share
8	Bank of Communications – Hua An Strategic Selected Stock Fund	Others	9,140,804	0.52	A Share
9	Industrial and Commercial Bank of China – Hua An Mid-Cap and Small-Cap Growth Stock Securities Investment Fund	Others	8,600,645	0.49	A Share
10	International Capital Corporation – HSBC – JPMorgan Chase Bank, National Association	Others	8,492,556	0.48	A Share
11	China Construction Bank – Hua An Hongli Stock Securities Investment Fund	Others	8,008,800	0.45	A Share

Notes:

(1) Among the above-mentioned shareholders, Conch Holdings held 635,588,343 A Shares of the Company, representing 35.98% of the total share capital of the Company; of which 612,833,196 A Shares were floating shares without trading restrictions, representing 34.69% of the total share capital of the Company; and 22,755,147 A Shares were floating shares subject to trading restrictions.

(2) HKSCC Nominees Limited held 432,688,997 H Shares, representing 24.50% of the total share capital of the Company, and 99.88% of the total number of H Shares issued by the Company, on behalf of its various clients.

(3) Ping An Trust is the trustee of Conch Equity Interest Trust Plan and was entrusted by the staff association committee of Conch Holdings to hold 203,828,265 A Shares of the Company in trust.

(4) So far as the Board is aware, among the above-mentioned shareholders, Conch Holdings and Conch Venture have connected relationship as Hua An Strategic Selected Stock Fund, Hua An Mid-Cap and Small-Cap Growth Stock Securities Investment Fund and Hua An Hongli Stock Securities Investment Fund are owned by Hua An Fund Management Company. Save for the aforesaid, the Board is not aware of any connected relationship or acting in concert relationship among the above-mentioned shareholders.

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

(6) As at 31 December 2009, the following persons (other than the Directors or chief executive of the Company) held interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong) (references to Directors or chief executive in this paragraph include Supervisors):

Name of shareholder	**Number of shares held**	**Capacity**	**Percentage of shareholding of the relevant class of shares**
Conch Holdings	635,588,343 A Shares (long position) (Note a)	Beneficial owner	47.67% (Note b)
Anhui Provincial Investment Group Limited	635,588,343 A Shares (long position) (Note a)	Interest of a controlled corporation	47.67% (Note b)
Conch Venture	720,617,795 A Shares (long position) (Note a)	Interest of a controlled corporation/ beneficial owner	54.05% (Note b)
Ping An Trust – Conch Equity Interest	203,828,265 A Shares (long position) (Note a)	Beneficial owner	15.29% (Note b)
UBS AG	21,200,934 H Shares (long position) (Note d)	Interest of a controlled corporation/ beneficial owner	4.89% (Note c)

Name of shareholder	Number of shares held	Capacity	Percentage of shareholding of the relevant class of shares
UBS AG	34,297,530 H Shares (short position) (Note d)	Person having a security interest in shares/ interest of a controlled corporation/ beneficial owner	7.92% (Note c)
JPMorgan Chase & Co.	90,686,516 H Shares (long position) (Note e)	Beneficial owner/ investment manager/ custodian	20.93% (Note c)
JPMorgan Chase & Co.	434,400 H Shares (short position)	Beneficial owner	0.10% (Note c)
The Capital Group Companies, Inc.	21,640,700 H Shares (long position) (Note f)	Investment manager	5.00% (Note c)
Taiwan Cement Corporation	38,856,000 H Shares (long position) (Note g)	Interest of a controlled corporation	8.97% (Note c)
Genesis Asset Managers, LLP	24,548,245 H Shares (long position)	Investment manager	5.67% (Note c)

Notes:

(a) These 635,588,343 A Shares were held in the name of Conch Holdings and in its capacity as the beneficial owner. The registered capital of Conch Holdings is RMB800 million, of which RMB408 million is attributable to Anhui Provincial Investment Group Limited ("Anhui Provincial Investment Group") (representing 51% of the equity interests in Conch Holdings); and RMB392 million is attributable to Conch Venture (representing 49% of the equity interests in Conch Holdings). Pursuant to the SFO, both Anhui Provincial Investment Group and Conch Venture were deemed to have interests in the entire number of shares of the Company held by Conch Holdings.

Among the 720,617,795 A Shares held by Conch Venture, 635,588,343 A Shares were held in the name of Conch Holdings and 85,029,452 A Shares were held by Conch Venture as beneficial owner.

(b) The total number of domestic shares in issue was 1,333,234,193 shares, all of which were A Shares.

(c) The total number of H Shares in issue was 433,200,000 shares.

(d) According to the disclosure of interests form submitted by UBS AG on 4 December 2009 (the date of relevant event being 1 December 2009), these shares were held through certain subsidiaries of UBS AG. The 21,200,934 H Shares (long position) were held as to 9,585,334 shares in the capacity of beneficial owner; 11,615,600 shares in the capacity of having interest of a controlled corporation. The 34,297,530 H Shares (short position) were held as to 20,107,630 shares in the capacity of beneficial owner; 2,860,300 shares in the capacity of a person having a security interest in shares; and 11,329,600 shares in the capacity of having interest of a controlled corporation.

(e) According to the disclosure of interests form submitted by JPMorgan Chase & Co. on 26 November 2009 (the date of relevant event being 24 November 2009), these shares were held through certain subsidiaries of JPMorgan Chase & Co. The 90,686,516 H Shares (long position) were held as to 1,643,780 shares in the capacity of beneficial owner; 67,868,000 shares in the capacity of investment manager; and 21,174,736 shares (securities in a lending pool) in the capacity of custodian.

(f) According to the disclosure of interests form submitted by The Capital Group Companies, Inc. on 23 October 2009 (the date of relevant event being 21 October 2009), these shares were held through certain subsidiaries of The Capital Group Companies, Inc.

(g) According to the disclosure of interests form submitted by Taiwan Cement Corporation on 12 December 2008 (the date of relevant event being 11 December 2008), these shares were held through certain subsidiaries of Taiwan Cement Corporation.

Save for the aforesaid shareholders, as at 31 December 2009, the Company was not aware of any interests and short positions as recorded in the register required to be kept pursuant to section 336 of the SFO.

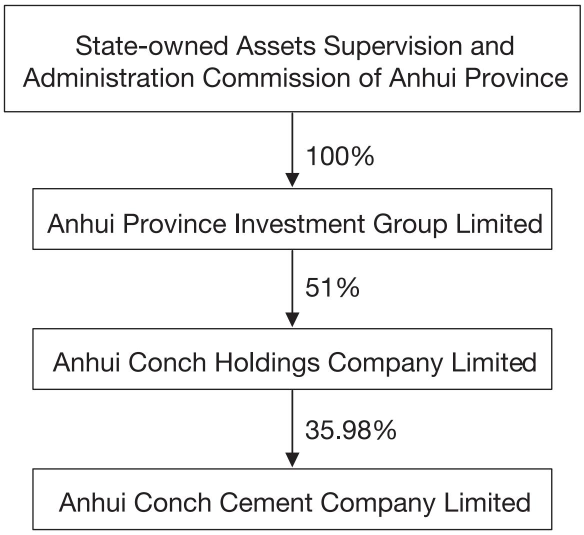
3. Information on the controlling shareholder of the Company

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

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

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

Anhui Provincial Investment Group is a State-owned company solely owned by State-owned Assets Supervision and Administration Commission of Anhui Province ("Anhui SASAC"), and accordingly, Anhui SASAC is the de facto controller of the Company. As at 31 December 2009, the shareholding relationship structure between the Company and Conch Holdings, Anhui Provincial Investment Group and Anhui SASAC is set out as follows:



5. Public float

Up to the date of this report, based on publicly available information and to the knowledge of the Directors, the Company has been complying with the prescribed public float requirement under the Listing Rules of the Stock Exchange.

(6) PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2009, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities of the Company.

(7) PRE-EMPTIVE RIGHTS

Under the Articles and the laws of the PRC, the Company is not required to offer to its existing shareholders on a pre-emptive basis right to acquire new shares in proportion to their shareholdings.

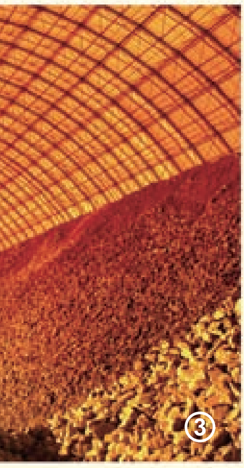
(8) TRANSACTIONS IN RESPECT OF ITS OWN SECURITIES

Up to 31 December 2009, the Group had neither issued nor granted any convertible securities, options, warrants or other similar rights. As at 31 December 2009, the Group had no redeemable securities.

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

For the year ended 31 December 2009, holders of the Company's securities were not entitled to any tax relief and exemptions by virtue of their holdings of such securities under their legal status of the PRC.

Changes in Share Capital and Shareholders



① Autumn – Ningguo Cement Plant

② Specialization

③ Advance Homogenization

②

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

Name	Position	Sex	Date of birth	Tenure
Guo Wensan	Chairman and executive Director	Male	September 1955	1 June 2007 – 31 May 2010
Kang Woon	Independent non-executive Director	Male	March 1963	1 June 2007 – 31 May 2010
Ding Meicai	Independent non-executive Director	Male	November 1942	1 June 2007 – 31 May 2010
Chan Yuk Tong	Independent non-executive Director	Male	June 1962	1 June 2007 – 31 May 2010
Guo Jingbin	Executive Director	Male	January 1958	1 June 2007 – 31 May 2010
Ji Qinying	Executive Director and general manager	Male	June 1956	23 December 2009 – 31 May 2010
Qi Shengli	Executive Director and deputy general manager	Male	September 1965	23 December 2009 – 31 May 2010
Wu Jianping	Executive Director	Male	March 1966	23 December 2009 – 31 May 2010
Wang Jun	Chairman of Supervisory Committee	Male	February 1957	1 June 2007 – 31 May 2010
Wang Yanmou	Supervisor	Male	December 1932	1 June 2007 – 31 May 2010
Ding Feng	Staff representative Supervisor	Male	December 1972	18 April 2008 – 31 May 2010
Wang Pengfei	Deputy general manager	Male	August 1962	–
He Chengfa	Deputy general manager	Male	April 1966	–
Zhang Mingjing	Deputy general manager and secretary to the Board	Female	September 1962	–
Wu Bin	Assistant to general manager	Male	April 1965	–
Li Leyi	Deputy-in-chief engineer of Technology and Knowhow Department	Male	December 1962	–
Chiu Pak Yue, Leo	Company secretary (Hong Kong)	Male	January 1963	–

None of the existing Directors, Supervisors and members of the senior management of the Company held or traded any securities of the Company during the Reporting Period.

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

Name	Position held in Conch Holdings and tenure	Any remuneration and allowances received from Conch Holdings	Position held in other companies and tenure	Any remuneration and allowances received from those companies
Guo Wensan	Chairman and general manager (from January 1997 to present)	Yes	–	–
Guo Jingbin	Director and deputy general manager (from January 1997 to present)	Yes	1) Director of Conch Building Materials (from August 1996 to present) 2) Director of Conch Hotel (from November 2005 to present)	No
Ji Qinying	Deputy general manager (from September 2000 to present)	No	1) General manager/vice chairman of Conch Profiles (from June 2003 to April 2008) 2) Chairman of Conch Profiles (from May 2008 to November 2009) 3) Director of Conch Venture (from November 2002 to present) 4) Director of Conch Kawasaki Equipment (from November 2006 to present)	No
Qi Shengli	–	–	1) Chairman of Supervisory Committee of Conch Profiles (from September 2007 to November 2009 2) Chairman of Supervisory Committee of Conch International (from December 2005 to present)	No

Name	Position held in Conch Holdings and tenure	Any remuneration and allowances received from Conch Holdings	Position held in other companies and tenure	Any remuneration and allowances received from those companies
Wu Jianping	–	–	1) Director and general manager of Longshan Cement (from May 2004 to present)	Yes
Wang Jun	Secretary General of Disciplinary Committee (from January 1997 to present) Deputy Party Secretary (from July 2002 to present)	Yes	1) Chairman of Conch Building Materials (from March 2004 to present) 2) Director of Conch International (from December 2005 to present) 3) Chairman of Conch Venture Property (from September 2006 to June 2009) 4) Chairman of Jiangdu Haichang Port Industrial Co., Ltd. (from September 2006 to present) 5) Chairman of Wuhu Sanshan Conch Port Co., Ltd. (from September 2006 to present) 6) Chairman of Conch Venture (from August 2006 to present) 7) Chairman of Anhui Chaodong Cement Holdings Co., Ltd. (from May 2007 to present) 8) Director of Conch Hotel (from November 2005 to present) 9) Chairman of Supervisory Committee of Conch Profiles (from November 2009 to present)	No

Name	Position held in Conch Holdings and tenure	Any remuneration and allowances received from Conch Holdings	Position held in other companies and tenure	Any remuneration and allowances received from those companies
He Chengfa	–	–	1) Chairman of Conch Kawasaki Engineering (from December 2006 to present) 2) Director of Conch Kawasaki Equipment (from November 2006 to present)	No

Biography of Directors, Supervisors and Senior Management

Executive Directors

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

Mr. Guo Jingbin, an executive Director, senior engineer. Mr. Guo graduated from Shanghai Construction Materials College and joined the Group in 1980. In 1998, Mr. Guo received the MBA degree from the Post-graduate College of the Social Science Institute of China. Mr. Guo held various mid to senior managerial positions in Anhui Ningguo Cement Plant ("Ningguo Cement Plant") (including head of automatic measurement department, head of personnel department and deputy manager) and in the Company (including secretary to the Board and deputy general manager). He has extensive experience in capital markets. Mr. Guo was an executive Director of the first, second and third sessions of the Board of the Company.

Mr Ji Qinying, an executive Director, senior engineer. Mr Ji graduated from Shanghai Construction Materials College and joined the Group in 1980. He held various leading positions including deputy plant operating director of Ningguo Cement Plant, deputy general manager of Tongling Conch, chairman and general manager of Chizhou Conch, and chairman of Conch Profiles. Mr Ji has extensive experience in production, operation and management of the cement industry. He was a supervisor of the first, second and third sessions of the Supervisory Committee of the Company. He is now the chairman of the board of directors of each of the following companies: Leqing Conch, Conch International Trading, Liquan Conch, Qianyang Conch, Pingliang Conch, Dazhou Conch, Guangyuan Conch and Chongqing Conch.

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

Mr. Wu Jianping, an executive Director, engineer. Mr. Wu graduated from Shanghai Tongji University and joined the Group in 1988. He held various positions including assistant to head of each of international business department, supplies department and development department of the Company. Mr Wu is now the chairman and general manager of each of Prosperity Conch, Qingxin Cement and Yangchun Conch. He is also the chairman of Jiangmen Conch and officer-in-charge of the Regional Committee in Guangdong. Mr Wu has extensive experience in the production, operation and management of the cement industry.

Independent Non-executive Directors

Mr. Kang Woon, an independent non-executive Director. Mr. Kang holds a Juris Doctor degree awarded by the University of Texas at Austin, USA. Mr. Kang is a registered lawyer of the High Court of the New York State of the USA. He is also a member of the Law Society of England and Wales. Mr. Kang was appointed as an independent non-executive Director of the first and second sessions of the Board and a Supervisor of the third session of the Supervisory Committee of the Company.

Mr. Chan Yuk Tong, an independent non-executive Director, is a fellow member (FCPA) of Hong Kong Institute of Certified Public Accountants and a member (CPA) of CPA Australia. Mr. Chan graduated from the University of Newcastle in Australia with a bachelor's degree in commerce and also obtained a master's degree in business administration from the Chinese University of Hong Kong. Mr. Chan was appointed as an independent non-executive Director of the third session of the Board and had worked for the Hong Kong G2000 Group, Tak Sing Alliance Holdings Limited, China Pipe Group Limited (formerly known as

World Trade Bun Kee Limited), and Ernst & Young, and has over 20 years of experience in finance management. Mr. Chan is currently a director of the following companies listed on the Stock Exchange, namely, Vitop Bioenergy Holdings Limited, Daisho Microline Holdings Limited, Kam Hing International Holdings Limited, Sichuan Xinhua Winshare Chainstore Co., Ltd., Global Sweeteners Holdings Ltd., Asia Cassava Resources Holdings Limited and Ausnutria Dairy Corporation Ltd., as well as a director of the private companies in Hong Kong, including Ascenda Cachet CPA Limited (formerly known as Cachet Certified Public Accountants Limited).

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

Supervisors

Mr. Wang Jun, chairman of the Supervisory Committee of the Company, senior engineer. Mr. Wang graduated from Anhui University and joined the Group in 1982. Mr. Wang has held various positions such as director of quantitative automation department and personnel department and party secretary of Ningguo Cement Plant. Mr. Wang was a supervisory of the first, second and third session of the Supervisory Committee and is currently the chairman of Supervisory Committee of Conch Profiles.

Mr. Wang Yanmou, a Supervisor. Mr. Wang graduated from China Dongnan University in 1956 and obtained an associate doctor's degree in the former Soviet Union in 1962. Mr. Wang was the president of China Building Material Academy, director of the State Construction Material Industry Bureau and China Silicates Institute, as well as the delegate of the Eighth National Committee of the Chinese People's Political Consultative Conference ("CNPCC"). Since 1997, he has been a consultant of the expert committee of China International Engineering Consulting Corporation. He is a special consultant of China Investment Association and the senior consultant of China Cement Association. Mr. Wang was appointed as an independent non-executive Director of the first and second sessions of the Board, a Supervisor of the third session of the Supervisory Committee and an independent non-executive director of Conch Profiles. Currently, he is an independent non-executive director of China Shanshui Cement Group Ltd. and Zhejiang Glass Co., Ltd. (both of which are listed on the Stock Exchange).

Mr. Ding Feng, a staff representative Supervisor by the staff, intermediate accountant. Mr. Ding graduated from Tongling College and joined the Group in 1994. He was the deputy head of finance department of Tongling Conch, financial controller of Zongyang Conch and deputy head of finance department of the Company. He has extensive experience in finance management and corporate management. Mr. Ding is currently the chairman of each of Fenyi Conch, Yiyang Conch, Nanchang Conch and Ganjiang Conch and the officer-in-charge of the Regional Committee in Jiangxi.

Senior Management

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

Mr. He Chengfa, deputy general manager of the Company, senior engineer. Mr. He graduated from Wuhan Polytechnic University and joined the Group in 1990. He held positions such as deputy chief mechanical engineer of Ningguo Cement Plant and director of equipment department of the Company.

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

Mr. Wu Bin, assistant to general manager of the Company, senior economist. Mr. Wu graduated from Anhui Construction Engineering School, and joined the Group in 1981. Mr. Wu held various leading positions such as deputy head of sales department and deputy plant director of the packing and transportation sub-plant of Baimashan Cement Plant, deputy director and director of sales department of the Company. Mr. Wu is experienced in sales– and management-related work, and is currently head of the sales department of the Company.

Mr. Li Leyi, deputy-in-chief engineer of Technology and Knowhow Department of the Company, engineer. Mr. Li graduated from Wuhan University and joined the Group in 1983. He held various leading positions such as plant manager of the Production Sub-plant of Ningguo Cement Plant, deputy chief engineer of Tongling Conch and deputy general manager of general affairs at Congyang Conch. He took charge of a number of technology reform projects for cement production, which were completed. He has extensive experience in technology design, technology innovation, on-site production organization and corporate management. Currently, he is general manager of both Congyang Conch and Chizhou Conch.

Secretariat to the Board (Company Secretary)

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

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

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

On 3 April 2009, Mr. Wang Jianchao submitted his resignation as deputy general manager of the Company to the Board following CSRC's commencing investigation of his involvement in improper dealings in shares of the Company. The Board accepted his resignation. With effect from that date, Mr. Wang Jianchao ceased to act as a deputy general manager of the Company.

On 19 August 2009, Mr. Li Leyi was appointed as the deputy chief engineer of Technology and Knowhow Department of the Company in the sixth meeting of the fourth session of the Board.

On 26 October 2009, Mr. Yu Biao, Mr. Li Shunan and Mr. Ren Yong submitted their resignation from their offices of Directors of the Company to the Board due to other job requirements of Conch Holdings. On 23 December 2009, resolutions to appoint Mr. Ji Qinying, Mr. Qi Shengli and Mr. Wu Jianping as executive Directors of the fourth session of the Board were considered and approved at the second extraordinary general meeting of the Company for 2009.

On 26 October 2009, the Board accepted the resignation of Mr. Ren Yong from the position of general manager of the Company and approved the appointment of Mr. Ji Qinying to act as the general manager of the Company.

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

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

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

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

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

During the Reporting Period, none of the Directors, Supervisors, chief executive and senior management of the Company and their respective spouses and children under the age of 18 had any interests or 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 ("SFO")), nor had they been granted any rights to subscribe for or exercised the above rights to subscribe for shares or debentures of the Company or its associated corporation as defined in Part XV of the SFO. Such interests or short positions are those which shall be recorded in the register required to be kept and prepared by the Company under Section 352 of the SFO; or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under Appendix 10 to the Listing Rules of the Stock Exchange.

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

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

Please refer to the section headed "Remuneration received by senior management from the Company for the year" for details of the remuneration received by Mr. Ji Qinying (executive Director and general manager), Mr. Qi Shengli (executive Director and deputy general manager) and Mr. Ren Yong (former executive Director and general manager who resigned during the Reporting Period).

During the Reporting Period, Mr. Ding Feng (supervisor elected by staff of the Company) received a total remuneration of RMB404,096 from the Company. Of which RMB114,034 was basic salaries; RMB275,000 was bonus and RMB14,562 was pension.

During the Reporting Period, Mr. Guo Wensan (chairman and executive Director of the Company), Mr. Guo Jingbin and Mr. Wu Jianping (executive Directors), Mr. Wang Jun (chairman of the Supervisory Committee) and Mr. Yu Biao and Mr. Li Shunan (former executive Directors who resigned during the Reporting Period) 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 for the Reporting Period paid by the Company to them are set out as follows:**

Name	Position	(RMB) Allowances
Kang Woon	Independent non-executive Director	100,000
Chan Yuk Tong	Independent non-executive Director	100,000
Wang Yanmou	Supervisor	50,000
	Total	**250,000**

Note: During the Reporting Period, Mr. Ding Meicai, an 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 and allowance for the Reporting Period. The office and business trip expenses incurred by Mr. Ding were reimbursed and paid by the Company.

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

(Unit: RMB)

Name	Position	Remuneration for the year (before tax)
Ji Qinying Note 2	Executive Director and general manager	328,182
Qi Shengli	Executive Director and deputy general manager	797,800
Wang Pengfei	Deputy general manager	792,394
He Chengfa	Deputy general manager	768,754
Zhang Mingjing	Deputy general manager and secretary to the Board	694,314
Wu Bin	Assistant to general manager	696,241
Li Leyi	Deputy-in-chief engineer of Technology and Knowhow Department	701,722
Ren Yong Note 3	Former executive Director and general manager	79,251
	Total	**4,858,658**

Notes:

1. The above-mentioned annual remunerations have taken into account basic salary, bonus, pension, medical and unemployment insurances.

2. Mr. Ji Qinying was appointed as general manager of the Company by the Board of the Company on 26 October 2009. As Mr. Ji Qinying also serves as a deputy general manager of Conch Holdings, his annual remuneration was subject to the review and approval by Anhui SASAC. The Company paid Mr. Ji Qinying the year 2009 remuneration in accordance with Anhui SASAC's Wan Guozi Fenpei Han [2009] No. 434 Document.

3. As Mr. Ren Yong also serves as a director and deputy general manager of Conch Holdings, his annual remuneration was subject to the review and approval by Anhui SASAC. Mr. Ren Yong resigned as general manager of the Company in October 2009 and received monthly remuneration from the Company during his term of office.

4. Decision-making process and basis for determining remuneration

The Remuneration and Nomination Committee of the Board is responsible for determining the remuneration policy and the remuneration proposals of executive Directors and senior management with reference to their terms of reference. The remuneration of executive Directors and internal Supervisors of the Company was determined and paid in accordance with the accomplishment of annual targets and works assigned and the operating performance of the Company. For details of the remuneration of senior management, please refer to the paragraph headed "(4) Establishment and Implementation of an Appraisal and Incentive Mechanism for Senior Management" in "V. Report on Corporate Governance" of the report.

(6) HIGHEST PAID INDIVIDUALS

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

(7) EMPLOYEES

As at 31 December 2009, the Group was in employ of 29,452 staff, of which 20,124 were production staff, 1,020 were sales staff, 4,064 were technical staff, 495 were finance staff, 457 were administrative and management staff. 12,121 of them had secondary and higher education, of which 6,579 received tertiary education or above. The aggregate remuneration of the employees of the Group for the year amounted to RMB821.03 million. The Company was not required to bear expenses of resigned or retired staff.

(8) PENSION INSURANCE

Details of the pension insurance are set out in Note 6(b) to the financial statements prepared in accordance with IFRS. Pension recorded in the income statement of the Group for the year ended 31 December 2009 amounted to RMB128.53 million.

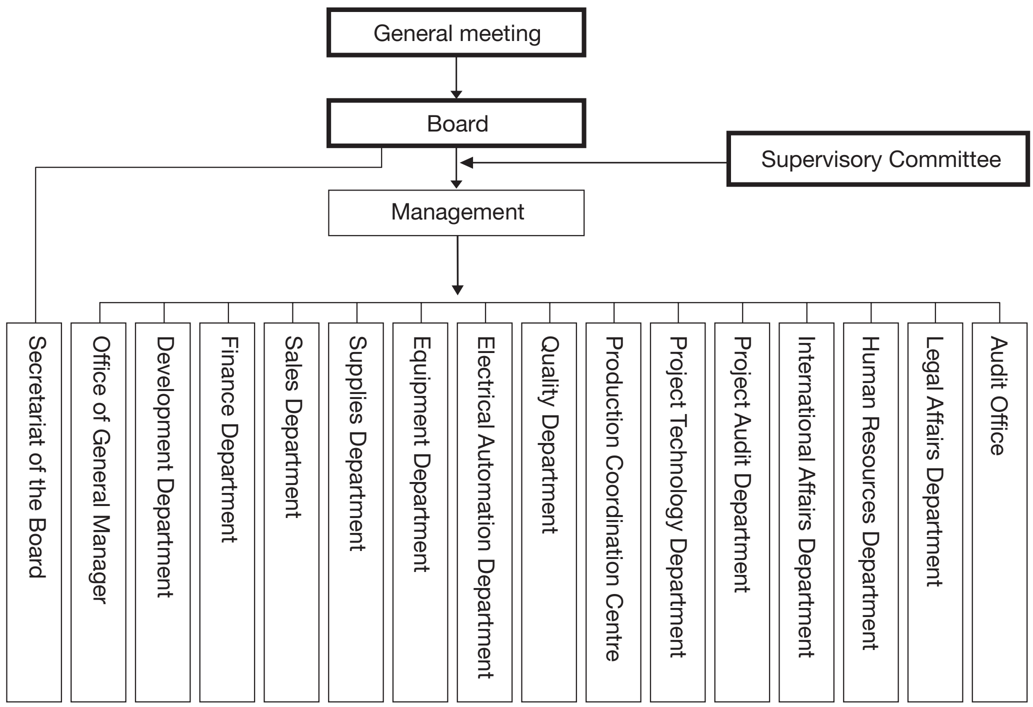
(9) STAFF HOUSING

Under the relevant regulations of the PRC government, contributions based on a certain percentage of the employees' salaries shall be made by the Group to the housing welfare fund. Save for the above, the Group has no other liabilities nor is it subject to any scheme for provision of staff housing. For the year ended 31 December 2009, the total housing welfare fund paid by the Group amounted to approximately RMB57.88 million.

(1) CORPORATE GOVERNANCE

Since the listing of the Company on the Stock Exchange and the SSE in 1997 and 2002 respectively, the Company has been continuously improving its corporate governance structure and regulating its operation in accordance with the relevant domestic and overseas listing rules and regulatory requirements. Shareholders in general meeting, the Board and the Supervisory Committee have clearly defined terms of reference, each assuming and performing its specific responsibilities and each having been making its own decisions in an independent, efficient and transparent manner, collaborating yet supervising each other with check and balance. The Board has established two specialized committees, namely, the Audit Committee and the Remuneration and Nomination Committee which ensure every decision of the Company to be made in a scientific and rational manner and promote the efficient operation under the Group's corporate governance structure, thereby enhancing the quality of the Company's operations.

The organizational structure of the Company is as follows:



(2) ESTABLISHMENT OF AND COMPLIANCE WITH WORKING REGULATIONS FOR INDEPENDENT NON-EXECUTIVE DIRECTORS AND THEIR PERFORMANCE OF DUTIES

In order to ensure that the independent non-executive directors properly perform their respective duties and effectively execute their functions, the Company has formulated the Working Regulations for Independent Directors in accordance with the "Guidance opinion on the establishment of regulations for independent directors of listed companies" issued by CSRC, the relevant requirements of the Listing Rules of SSE and the Listing Rules of the Stock Exchange. The Regulations set out in details the qualification criteria to become independent Directors, relevant procedures and matters to be noted in relation to the nomination, election and replacement of independent directors, duties of independent directors and specific measures on protecting the exercise of its official authority. Chapter 5 of the "Working Regulations for Independent Directors" provides in detail that independent Directors shall, in the course of preparing and making disclosures in the annual report of the Company, understand the operating conditions and progress of significant events, conduct inspections of the Company's sites, and communicate with auditors during the annual audit.

During the Reporting Period, the independent non-executive Directors have, in accordance with the requirements of the Articles, the Working Regulations for Independent Directors, the Terms of Reference of the Remuneration and Nomination Committee and the Terms of Reference of the Audit Committee, diligently performed their duties in line with the principles of integrity and diligence; they attended in person the Board meetings and general meetings which were convened in 2009, convened various specialized committee meetings, attended on a timely basis to the reporting by the Company's management on the production and operations, investment and financing activities for 2009, conducted on-site inspection of the Company's production sites, and participated in the major decision-making of the Company in order, hence lawfully safeguarding the interests of the minority and public shareholders.

After reviewing the external guarantees provided, connected transactions made, management appointed and funds appropriated by the Company for the year ended 31 December 2009, the independent non-executive Directors expressed their independent views on the above matters.

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

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

1. Operations

The principal business of the Company, which is fully independent of its controlling shareholder, is the production and sales of cement and clinker products. Its controlling shareholder and other companies under its purview are not engaged in business that competes with the business of the Company.

2. **Staff**

The Company has an organizational structure, labor force, personnel and wages management system and production premises, which are completely independent of its controlling shareholder. The senior management of the Company (including its general manager, deputy general managers, secretary to the Board, chief financial officer and heads of sales) are dedicated to the Company and receive their remuneration from the Company.

3. **Assets**

The production assets, ancillary production systems and related facilities of the Company are independent of those of the controlling shareholder. The Company directly owns or indirectly holds by contractual terms the right to use the land use rights, mining rights and licensing rights of the trademarks in relation to its principal cement business. The production and operating assets of the Company are clearly delineated and are separate from those of the controlling shareholder. The Company has not pledged its assets, interests or goodwill as guarantee for the controlling shareholder or its subsidiaries. None of the Company's assets is occupied by the controlling shareholder without consideration. The Company is able to use its assets independently for its operating activities without any restriction.

4. **Organization**

The Company has an organizational structure completely independent of the controlling shareholder. The Board, management and the operating management units of the Company are all independent of the controlling shareholder. There is no hierarchical relationship between the internal organization of the controlling shareholder and the corresponding department of the Company.

5. **Finance**

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

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

The Company upholds the incentive for and regulation of its senior management by implementing the annual remuneration system and annual target responsibility system. At the beginning of the year, the Company will enter into responsibility letters with members of senior management and members of operation team of its subsidiaries in respect of annual targets of production and sales volume, sales revenue, costs, profit and management objectives and other indicators. At the end of the year, such members will be assessed by a performance appraisal team set up by the Company on an integral basis as to the business performance and management abilities of such members, who will then awarded with annual remuneration according to such annual appraisal results.

(5) CORPORATE GOVERNANCE

1. Code on Corporate Governance Practices

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

2. Securities transactions by Directors

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

3. The Board

Composition of the Board is as follows:

Name	Position
Guo Wensan	Chairman and executive Director
Kang Woon	Independent non-executive Director
Chan Yuk Tong	Independent non-executive Director
Ding Meicai	Independent non-executive Director
Guo Jingbin	Executive Director
Ji Qinying	Executive Director and general manager
Qi Shengli	Executive Director and deputy general manager
Wu Jianping	Executive Director

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

During the Reporting Period, two meetings of the Board were held with physical presence. Furthermore, a total of 46 resolutions were passed by the Board by means of telecommunication or written resolutions during the Reporting Period. The attendance and voting rates of the Directors are set out as follows:

Name	Attendance rate of physical meeting	Attendance rate of resolutions passed by telecommunication or in writing
Guo Wensan	100%	100%
Kang Woon	100%	100%
Chan Yuk Tong	100%	100%
Ding Meicai	100%	100%
Guo Jingbin	100%	100%
Ji Qinying	–	100%
Qi Shengli	–	100%
Wu Jianping	–	100%

Note: Mr. Ji Qinying, Mr. Qi Shengli and Mr. Wu Jianping were appointed as executive directors at the extraordinary general meeting of the Company held on 23 December 2009. From the respective dates of appointment of such three executive directors to the end of the Reporting Period, no physical meeting was convened by the Board.

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

4. Chairman and Chief Executive Officer

The positions of Chairman and chief executive officer (i.e. general manager) of the Company are filled by Mr. Guo Wensan and Mr. Ji Qinying respectively.

The principal duties of the Chairman of the Board are: (a) to lead the Board and ensure that the Board operates effectively, performs its duties and has discussion on all significant matters on a timely and appropriate manner; (b) to ensure that all the Directors at the Board meetings are properly informed of the current affairs; (c) to ensure that the Directors receive sufficient information, which should be comprehensive and reliable, on a timely basis; and (d) to review the implementation of the Board resolutions passed.

The principal duties of the chief executive officer (general manager) are: (a) to oversee the management of the daily production and operations of the Group with the assistance of executive Directors and senior management; (b) to implement major strategies and development plans adopted by the Board, including coordination of implementing the Board resolutions, annual business plans and investment proposals of the Company; (c) to prepare the proposal on the establishment of internal management structure, to organize and formulate the roles and responsibilities of various departments, standards of various positions and professional management procedures, to formulate the basic management system and the standards for performance appraisal of management officers of various levels; (d) to propose the engagement, dismissal or re-designation of deputy general managers or financial controller of the Company; (e) to convene and chair the office meetings of the chief executive officer (general manager) and professional management seminars; and (f) to perform other duties and exercise other powers granted by the Articles and the Board.

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

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

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

6. Remuneration and nomination of Directors

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

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

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

During the Reporting Period, the Remuneration and Nomination Committee held two meetings. All committee members attended the meetings:

(1) at which, on 25 March 2009, the resolutions on (i) remuneration of the senior management of the Company for year 2008; (ii) remuneration appraisal targets of the senior management of the Company for year 2009 were considered and approved; and

(2) at which, on 26 October 2009, the resolution on the nomination of Mr. Ji Qinying, Mr. Qi Shengli and Mr. Wu Jianping as candidates of directors of the Company was considered and approved.

The Remuneration and Nomination Committee reviewed the remunerations in respect of the Directors, Supervisors and members of senior management of the Company for year 2009 as disclosed and considered that their respective remunerations were in line with the relevant requirements of the remuneration policy of the Company and were consistent with the annual performance appraisal results.

On 23 December 2009, Mr. Yu Biao resigned as a member of the Remuneration and Nomination Committee of the Company. With effect from that date, the Remuneration and Nomination Committee of the fourth session of the Board of the Company comprised of four members, namely Mr. Kang Woon, Mr. Chan Yuk Tong, Mr. Ding Meicai and Mr. Guo Jingbin where Mr. Kang Woon acted as the chairman.

7. Audit Committee of the Board

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

In order to ensure that the Audit Committee can execute their duties effectively, the Company has formulated the relevant regulations including the Terms of Reference of the Audit Committee and the Regulation on the Work of the Audit Committee on Annual Report. The Terms of Reference of the Audit Report provides the number of committee members and qualification criteria, defines the duties and powers of the committee and prescribes the reporting procedures to the Board. The Regulation on the Work of the Audit Committee on Annual Report defines the specific work required to be carried out by the Audit Committee in connection with the preparation of and disclosure to be made the annual report of the Company, which mainly includes: studying and understanding the relevant requirements of the China securities regulatory authorities in relation to the preparation of annual report, liaising on and determining the audit work schedule with the auditor for the annual audit, supervising the submission of the report by the auditors for the annual audit within the agreed time, reviewing the financial statements of the Company before the commencement of audit work and after the issue of preliminary audit opinion by the auditors for annual audit, submitting to the Board the work summary of the audit work of the Company for the year conducted by the auditors for annual audit and proposing the resolution on the re-appointment or replacement engagement of the auditors for next year.

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

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

(1) On 13 January 2009, the Audit Committee discussed with the auditors of the Company, KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants (collectively referred to as "KPMG") by telephone, to determine the time table for the audit of the annual report for the year 2008; the Audit Committee reviewed the financial statements prepared by the Company for the year 2008 and agreed to allow the auditors to the Company to conduct field audit for the year 2008.

(2) On 16 March 2009, upon issue of the preliminary auditors' report by the auditors, the Audit Committee, after further reviewing the 2008 financial statements, considered that the auditors had completed the audit conscientiously within the scheduled time frame.

(3) At the meeting held on 25 March 2009, the Audit Committee considered and passed resolutions on the following: (i) the financial statements for the year ended 31 December 2008 prepared in accordance with IFRS; (ii) the financial statements for the year ended 31 December 2008 prepared in accordance with PRC Accounting Standards; (iii) recommendation to the Board to re-appoint KPMG Huazhen Certified Public Accountants, and KPMG Certified Public Accountants as the PRC auditor and the international auditor of the Company respectively; and (iv) the connected transactions which took place in 2008.

(4) On 26 March 2009, the Audit Committee issued a summary report in respect of the audit work for the Company for year 2008 performed by KPMG and made objective assessment on the work conducted by KPMG: during the process of conducting the audit work for Conch Cement for year 2008, KPMG was able to adhere strictly to the China Auditing Standards for Certified Public Accountants and Hong Kong Standards on Auditing and other regulations in performing its audit work and was able to perform its audit functions well. Accordingly, it is proposed that KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants be re-appointed as the PRC auditor and the international auditor of the Company respectively.

(5) On 14 August 2009, the Audit Committee considered and approved (i) the unaudited interim (half-yearly) financial report for year 2009 prepared in accordance with IFRS and PRC Accounting Standards respectively; (ii) the interim report for year 2009 and its summary and the interim results announcement.

Since the commencement of the audit of the financial statements of the Company for the year ended 31 December 2009, the Audit Committee has been participating in the whole process:

(1) Prior to the commencement of audit work by the auditors, the Audit Committee first reviewed the 2009 financial statements prepared by the Company and agreed to allow the auditors to conduct field audit. In the course of conducting audit of annual report, the Audit Committee requested KPMG to diligently complete the audit work on the financial statements according to the work plans.

(2) Following the issuance of preliminary auditors' report by the auditors, the Audit Committee reviewed again the 2009 financial statements and considered that the auditors had completed the audit work conscientiously within the scheduled time frame.

(3) On 24 March 2010, the Audit Committee issued a summary report in respect of the audit work for the Company for year 2009 performed by KPMG and made objective assessment on the work conducted by KPMG: during the process of conducting the audit work for Conch Cement for year 2009, KPMG was able to adhere strictly to the China Auditing Standards for Certified Public Accountants and Hong Kong Standards on Auditing and other regulations in performing its audit and was able to perform its audit functions well. Accordingly, it is proposed that KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants be re-appointed as the PRC auditor and the international auditor of the Company respectively.

The financial report and results announcement of the Company for year 2009 have been reviewed and approved by the Audit Committee. All the Directors of the Company agree and acknowledge their individual and joint responsibility for preparing the accounts as contained in the financial reports for the year under review.

8. Auditors and remuneration

Pursuant to the resolution considered and approved by the annual general meeting for 2008, the Company engaged KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants as the PRC auditor and the international auditor of the Company for the year ended 31 December 2009 respectively. The audit and other service fees payable to KPMG by the Company for the year ended 31 December 2009 amounted to approximately RMB4.25 million. Among such total amount, the audit fee amounted to RMB4.22 million and the other service fees amounted to RMB30,000. In addition, the Company was required to reimburse KPMG for lodging and travelling expenses incurred for field audit.

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

(6) ESTABLISHMENT AND SOUNDNESS OF INTERNAL CONTROL SYSTEM

Securities of the Company are listed at the Hong Kong Stock Exchange and the Shanghai Stock Exchange and the Company is subject to the regulations of both places. Over the years, the Company by maintaining strict self-discipline and continuing to make improvements, has established a full set of practicable internal control systems suitable for the Company and has made timely adjustments and enhancements to such systems for integrating the constant changes in both domestic and foreign regulatory requirements. Such systems support an effective operation of the overall internal control structure, hence ensuring the Company's sound and rapid development to be sustainable over the years.

The Company has established a professional management division on internal control – the Audit Office. Duties of the Audit Office are to perform independent audit supervision, assessment and service functions within the Group in accordance to the relevant internal audit standards of the PRC and to undertake audit of economic liability after ceasing to be in office, as well as routine audit of production and management. The Audit Office puts special efforts in reviewing the Company's areas of finance, supplies, sales and project investments, with a view to enable pre-action precautions, concurrent monitor and past-action inspections, hence timely discovering any drawback in the Company's critical management steps and effectively reducing or eliminating the risks.

The establishment and soundness of the Company's internal control system by discipline are briefly set out as follows:

(1) Financial management: The Company strictly adheres to the accounting laws and regulations of the PRC and has adopted a uniform set of accounting policies and various management systems in accordance with the accounting standards of the PRC which cover various management in accounting and financial reporting, finance budgeting, fund management and others, clearly defining the operational flows as well as the review and approval authority of each operation, hence ensuring standardized and accurate accounting as well as effective performance of the functions of financial management. Funds are centrally managed by the Company's headquarters to ensure safety. During the Reporting Period, the Company has amended and improved six systems such as the "bill delivery management measures" and the "operational rules on the tentative valuation of projects under construction and their transfer into fixed assets" in response to the Company's management needs.

(2) Material sourcing management: The Company has established a material sourcing management model suitable to the Company's development and management needs. It has formulated various material sourcing regulations and systems and has established a comprehensive resources procurement management process and decision-making system. Meanwhile, the Company adopts a modernized material supply information system whereby dynamic information on various steps of sourcing and utilisation of raw materials is accurately reflected, hence increasing management efficiency and lowering business risk. To enhance risk management in aspects such as procurement, acceptance check and settlement, the Company has during the Reporting Period established six management systems such as the "regulations governing the management of daily steel sourcing" and the "rules on the management of price identification for second-party purchase of materials".

(3) Sales management: Over the years, the Company has insisted on implementing a sales management and control system on both integration and diversification bases in order to control closely capital risks. To enable a comprehensive control of risks incurred in different sales aspects, the Company has established various systems in relation to the management of product flows, selling price, sales staff, customers and other activities, and has continued making improvements based on the changes in external markets and the Company's development needs, coupled with the implementation of information management for sales and delivery. During the Reporting Period, the Company has also formulated the "onshore distribution business management measures" based on the needs for the development of onshore distribution business, further standardizing operational flows of the business.

(4) Quality management: The life of an enterprise lies in product quality, and thus the Company has upheld the business principle for "top quality and sincere service" over the years. The Company has established a comprehensive quality control system, enabling quality management starting from the beginning steps, plus stringent control in the production process as well as ensuring sampling and inspection results to be correct. During the Reporting Period, the Company has promulgated five management systems such as the "notification on strengthening quality management of limestone in clinker-based mines" and the "notification on the development of special inspection of cement quality control for key projects", further improving the Company's quality control and monitoring systems.

(5) Human resources management: The Company has formulated human resources policies that are beneficial to the sustainable developments of the enterprise and has established a relatively comprehensive human resources management system, staff recruitment procedures and employment management measures in accordance with the Labor Law of the PRC to control employment risk. The Company has established prescriptive work standards and a fair, just and open appraisal system adopting methods combining job promotion and salary incentive. The Company encourages its employees to improve work standard and operation indicators, which will enhance the Group's performance as well as increase their wage income. During the Reporting Period, the Company has amended and improved specialized systems such as the

"provisional labor management measures" in response to the needs of the Company's implementation of regional management. The Company has recruited a group of outstanding young leaders with ability and integrity through open and transparent means, reserving a team of talents with growth potentials to meet the needs of the Company's sustainable growth.

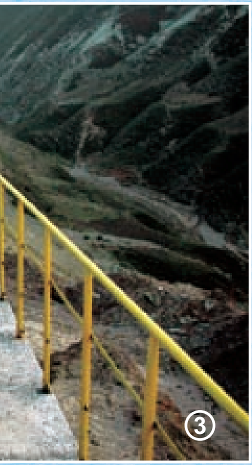
(6) Management of investment projects: The Company has established a sound investment management mechanism for collective and scientific decision-making. The development division of the Company is responsible for formulating medium– to long-term development plans and for organizing researches and examination on potential investment projects. The Company has set up an investment management committee for evaluation and examination of potential investment projects which will be voted by secret ballot. Upon passing the examination of the committee, the projects will be submitted to the Board for review and approval. To standardize decision-making procedures and investment behavior, the Group has formulated relevant supporting systems such as the "investment management committee system", the "investment agreement system" and the "project commencement condition evaluation system".

During the Reporting Period, the Audit Office of the Company has conducted 23 items of economic liability auditing on ceasing to be in-office based on the personnel changes of the Company and has implemented with special efforts audit of daily efficiency and inspection of selected aspects on contracts and other audit activities for some subsidiaries in accordance with the Company's management over different stages, aiming at a comprehensive and in-depth investigation of the Company's implementation of internal control.

The Directors have also undertaken comprehensive examination of the effectiveness of the Group's internal control system (including the professional experience, qualification and other factors of the finance and accounting staff) during the Reporting Period. The Board is of the view that, during the Reporting Period, the Company implemented an effective internal control system for different aspects and has fully applied and complied with the principles and code provisions as stated in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange.

(7) ESTABLISHMENT OF ACCOUNTABILITY SYSTEM FOR MATERIAL ERRORS IN ANNUAL REPORT INFORMATION DISCLOSURE

In order to enhance the level of regulated operation of the Company, strengthen the truthfulness, accuracy, completeness and timeliness of information disclosure and enhance the quality and transparency of the annual report information disclosure, the Measures on the Accountability for Material Errors in Annual Report Information Disclosure was formulated by the Company and was considered and approved at the seventh meeting of the fourth session of the Board.



① Boundless View – Xuancheng Conch

② Railway Transportation

③ Limestone Long Corridor of Pingliang Conch

②

During the Reporting Period, the Company held three general meetings, one class meeting of holders of domestic shares and one class meeting of holders of H Shares, details of which were set out as follows:

(1) First extraordinary general meeting for the year 2009 and first class meeting of holders of domestic shares for the year 2009 and the first class meeting of holders of H Shares for the year 2009

On 17 February 2009, the first extraordinary general meeting for the year 2009, the first class meeting of holders of domestic shares for the year 2009 and the first class meeting of holders of H Shares for the year 2009 were held in the conference room of the Company. Resolutions passed at the general meeting and the class meetings were published in Shanghai Securities Journal on 18 February 2009.

(2) Annual general meeting for the year 2008

On 5 June 2009, the annual general meeting for the year 2008 was held in the conference room of the Company. Resolutions passed at the annual general meeting were published in Shanghai Securities Journal on 6 June 2009.

(3) Second extraordinary general meeting for the year 2009

On 23 December 2009, the second extraordinary general meeting for the year 2009 was held in the conference room of the Company. Resolutions passed at the second extraordinary general meeting were published in Shanghai Securities Journal on 24 December 2009.

MACRO-ENVIRONMENT

In 2009, although the economy of China was adversely affected by the global financial crisis, the Chinese government took some effective measures to ensure a relatively rapid growth of China's economy, with a year-on-year GDP growth rate of 8.7% and fixed assets investment growth rate of 30.1%. The measures adopted by the Chinese government included adopting a proactive fiscal policy and moderately relaxed monetary policy which enhanced a relatively high growth in investments, implementing and adjusting from time to time a comprehensive plan to cope with the challenges arising from the global financial turmoil, implementing a growth-encouragement plan with additional RMB4 trillion investments over two years. Benefiting from the recovery of the overall economy of China and driven by fixed assets investment, demand for cement saw robust growth. *(Source: National Bureau of Statistics of China)*

Through the effective economic adjustment and control measures implemented by the central government over years, the structure of the cement industry in China has been improved with continuous advances and higher concentration in the industry. In terms of the proportion of cement and clinker produced by the new dry-process method ("NDP"), the national NDP production capacity in 2000 was only 70 million tonnes, accounting for approximately 10% of the then total national production capacity of cement and clinker. At the end of 2009, the national NDP production capacity reached 961 million tonnes, accounting for approximately 69.3% of the total national production capacity of cement and clinker. In the second half of 2009, the State Council promulgated Guo Fa No.38 Document, which demands for stepping up efforts to eliminate obsolete production capacity in the cement industry, with the aim to phase out all obsolete capacity by 2012, and proper control over excessive growth in new production capacity. The promulgation of this document has positive impacts on the elimination of obsolete production capacity. In 2009, a total of 74.16 million tonnes of obsolete production capacity was phased out in China. It is expected that efforts to eliminate obsolete capacity will be intensified in the next few years. This indicates a more optimistic outlook for the cement industry, and large-scale cement enterprises will in particular enjoy greater benefits. *(Source: the 2010 Government Work Report, "Analysis of Cement Production Capacity of 2009", 2nd edition, issue no. 72 of China Building Materials Daily)*.

ANALYSIS OF OPERATIONAL CONDITIONS

Operations

In 2009, benefiting from the forward-looking strategic plan of the Company, coupled with the joint efforts of its management and staff, the Company achieved commending results and maintained its pace of rapid growth. During the Reporting Period, in accordance with the PRC Accounting Standards, the Group's revenue from principal activities amounted to RMB24,684 million, representing an increase of 3.16% over the corresponding period last year; its net profit attributable to equity shareholders of the Company amounted to RMB3,544 million, representing an increase of 35.96% over the corresponding period last year; and earnings per Share were RMB2.01. In accordance with IFRSs, the revenue amounted to RMB24,998 million, representing an increase of 3.18% over the corresponding period last

Ranked the 5th among the 50 Asia-Pacific's Biggest Listed Companies for 2009 by Forbes year; its net profit attributable to equity shareholders of the Company amounted to RMB3,506 million, representing an increase of 34.47% over the corresponding period last year; and earnings per Share were RMB1.98.

In terms of the expansion of production capacity and the construction projects, during the Reporting Period, the Group stepped up its efforts in engineering construction. As a result, construction of nine clinker production lines each with a daily production capacity of 5,000 tonnes located at subsidiaries, such as Hunan Conch, Beiliu Conch and Pingliang Conch, and 12 cement grinding units located at subsidiaries, such as Shimen Conch, Ninghai Qiangjiao Conch Cement Co., Ltd. ("Qiangjiao Conch") and Liu'an Conch Cement Co., Ltd. ("Liu'an Conch"), were completed and put into operation, resulting in generating additional clinker production capacity of 16.20 million tonnes and additional cement production capacity of 10.90 million tonnes. Concurrently, the projects under construction of Chongqing Conch, Liquan Conch and Linxiang Conch Cement Co., Ltd. ("Linxiang Conch") were in stable progress. As at the end of 2009, the Group's clinker production capacity and cement production capacity reached 102.06 million tonnes and 105.50 million tonnes respectively.

Sales Market Overview

In 2009, the competitive advantages resulting from the Group's strategic plans became more apparent. By the coordinated efforts of the eastern, central, southern and western regions, coupled with the distinctive sales strategies customized for each region, the Group achieved an aggregate net sales volume of cement and clinker for the year of 118.38 million tonnes, representing a year-on-year growth of 15.99%. The sales amount increased by 3.16% on a year-on-year basis. The growth rate in the Group's sales amount was less than its sales volume is mainly due to a decline in selling prices.

Markets and Sales by Region

Sales Amount by Region

Region	**2009**		2008		Increase/ (decrease) in sales amount	Change in sales proportion (percentage points)
	Sales amount (RMB'000)	**Percentage (%)**	Sales amount (RMB'000)	Percentage (%)	(%)	
East China note1	10,099,796	40.92	10,406,404	43.50	(2.95)	(2.58)
Central China note2	7,166,334	29.03	5,987,365	25.02	19.69	4.01
South China note3	5,567,900	22.56	4,716,103	19.71	18.06	2.85
West China note4	394,204	1.60	120,311	0.50	227.65	1.10
Export	1,455,404	5.89	2,696,808	11.27	(46.03)	(5.38)
Total	24,683,638	100	23,926,991	100	3.16	–

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, Chongqing city and Gansu province.

East China Market: The NDP production capacity of this region, as compared to the national NDP production capacity of the whole country, is the highest in the country. In 2009, the demand for cement saw a steady growth. As there was only a slight increase in the production capacity of cement, the balance between supply and demand moved in favour of the Group. The Group actively expanded its market for key engineering projects, and was able to secure a number of key engineering projects such as Xiangshan Gang Bridge in Zhejiang, Shanghai-Chongming Cross-River Expressway and Beijing-Shanghai Express Railway. The Group's sales volume in the region rose by 9.87% on a year-on-year basis and accounted for 41.63% of the Group's total sales volume.

Central China Market: Under the Strategy for Central China Development implemented by the PRC, fixed assets investment increased steadily, and infrastructure and rural projects accounted for a higher proportion, and the demand for cement was healthy. During the Reporting Period, four cement/clinker production lines of Shuangfeng Conch and Hunan Conch which was established in this region by the Group were put into operation smoothly. The Group's sales volume in the region rose by 38.99% on a year-on-year, and accounted for 29.54% of the Group's total sales volume.

South China Market: With a relatively larger number of infrastructure construction projects and a growth of new construction areas of the real estate industry, demands for cement rose at a steady pace. During the Reporting Period, the Group actively capitalized on the opportunities arising from the recovery of the South China market, which experienced sustaining growth in both sales volume and prices, thereby achieving a more than satisfactory results. The Group's sales volume in the region rose by 29.16% on a year–on-year basis, and accounted for 20.87% of the Group's total sales volume.

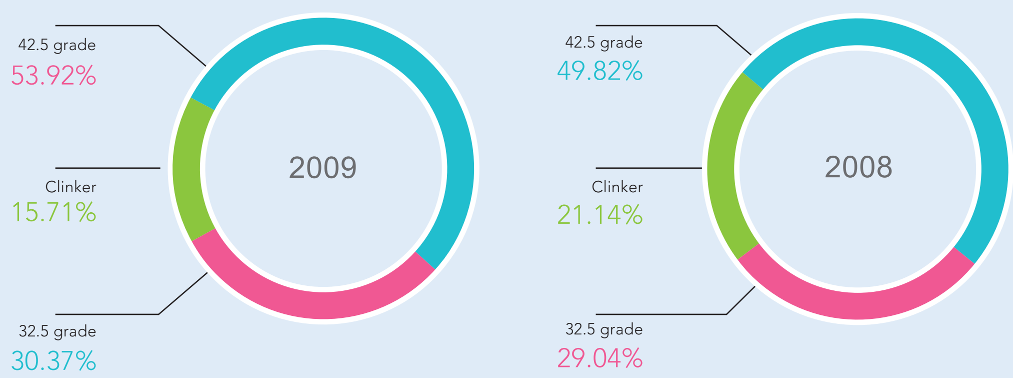
West China Market: The State stepped up its efforts in the large-scale development of West China and expedited the pace of reconstruction in the disaster-affected areas in this region. Fixed assets investment saw a relatively fast growth, driving substantial growth in the demand for cement. During the Reporting Period, the Group accelerated the pace of construction of the projects in Sichuan, Chongqing, Gansu and Shaanxi. The 5,000 tonnes/day ("t/d") clinker production line of Pingliang Conch commenced operation in November 2009. The Group also fully leveraged on its competitive strength in logistics to expand the West China market. These efforts enabled the Group to achieve a substantial growth in the sales volume in the western region, with a year-on-year growth of 280.16%. The sales volume in the region accounted for 1.82% of the Group's total sales volume.

International Market: Due to a decline in cement demand in the international market, the total export volume of the Group for 2009 decreased by 41.18% on a year-on-year basis. However, as export volume only accounted for 6.14% of the Group's total sales volume, such decline did not have any material effect on the overall operating results of the Group.

SALES BY TYPES OF PRODUCTS

During the Reporting Period, due to an increase in the proportion attributable to key engineering projects, the proportion of sales amount attributable to 42.5 grade cement rose by 4.1 percentage points. Moreover, the Group's cement grinding projects were successively put into operation, boosting the demands for clinker. The Group's sales volume of clinker sold to third parties decreased, bringing about a year-on-year decline in the proportion of sales amount of clinker by 5.43 percentage points.

Percentage of sales by type of products



PRODUCTION OPERATION OVERVIEW

By conducting in-depth research in the NDP production knowhow, the Group continued innovating and improving design, which fostered the structural reform of the cement industry and enhanced general upgrading of the industry and conservation of energy and reduction of pollutant emission. In 2009, the Group improved its knowhow and production process and also enhanced the efficiency of the production lines by conducting 90 energy-conservation and technological upgrading projects. The total production volume of clinker for the year reached 95.03 million tonnes, representing a year-on-year growth of 16.34%, while the total production volume of cement amounted to 96.80 million tonnes, representing a year-on-year increase of 25.53%. The Group's major operating indicators were improved with a reduction in production costs, and a stronger profitability of the Group's products was experienced.

The Group has been pursuing recycling economy on a sustainable basis, and giving support to the construction of the residual heat electricity generation projects. During the year, construction of 6 sets of residual heat electricity generation units of subsidiaries, such as Yiyang Conch and Shimen Conch, were successively completed and put into operation. As at the end of the Reporting Period, the Company had a total of 30 sets of residual heat electricity generation units with an installed capacity of 493MW. During the Reporting Period, the amount of residual heat generated electricity was 3,210 million kwh, which when compared with similar scale of fire-generated electricity represented a conservation of consumption of 1.30 million tonnes of standard coal and a reduction in emission of 2.60 million tonnes of carbon dioxide. This not only helped lower electricity costs, but also created relatively positive impact on the society.

PROFIT ANALYSIS

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

Item	Amount 2009 (RMB'000)	2008 (RMB'000)	Change from that of the corresponding period of last year (%)
Revenue from principal activities	**24,683,638**	23,926,991	3.16
Profit from operations	**4,260,155**	2,987,143	42.62
Profit before taxation	**4,476,543**	3,245,749	37.92
Net profit attributable to equity shareholders of the Company	**3,544,365**	2,607,012	35.96

During the Reporting Period, the Group's profit from operations amounted to RMB4,260.16 million, representing a year-on-year increase of 42.62%; its net profit attributable to equity shareholders of the Company increased by 35.96% on a year-on-year basis. Such increases were primarily attributable to the increase in sales volume of its products and also the lowering of costs.

2009 gross profit margin by type of products and year-on-year comparison

Product	Revenue from principal activities (RMB'000)	Costs of principal activities (RMB'000)	Gross profit margin for the Reporting Period (%)	Gross profit margin for the same period last year (%)	Year-on-year change of gross profit margin (percentage point)
42.5 grade cement	13,309,552	9,672,802	27.32	22.84	4.48
32.5 grade cement	7,497,483	5,036,668	32.82	32.32	0.50
Clinker	3,876,603	2,889,935	25.45	20.53	4.92
Total	24,683,638	17,599,405	28.70	25.10	3.60

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

In 2009, the Group's consolidated gross profit margin was 28.70%, representing a year-on-year increase of 3.60 percentage points. The profitability of all types of products gradually increased. The gross profit margin of clinker grew by 4.92 percentage points, while that of 42.5 grade cement and 32.5 grade cement rose by 4.48 and 0.50 percentage points respectively. During the Reporting Period, the increase in the gross profit margin of products was mainly attributable to the following factors: by further leveraging the advantages of centralized procurement and fully utilizing the strengths and resources of its regional operations, and optimizing the allocation of logistic resources, the Group was able to reduce significantly its purchasing costs of raw materials (such as coal). Further, the Group in recognition of the trend of market demands increased its product prices on a timely basis. It also continued enhancing its operating management and maintained its operations at high efficiency.

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

Expenses for the period	**2009 Amount (RMB'000)**	2008 Amount (RMB'000)	**As a percentage to revenue from principal activities for the Reporting Period** (%)	**As a percentage to revenue from principal activities for the same period last year** (%)	**Change in the percentage to revenue from principal activities (percentage point)**
Selling expenses	**1,419,569**	1,366,425	5.75	5.71	0.04
Administrative expenses	**976,170**	841,233	3.95	3.52	0.43
Financial expenses (net)	**356,469**	751,236	1.45	3.14	(1.69)
Total	**2,752,208**	2,958,894	11.15	12.37	(1.22)

During the Reporting Period, the above three expense items (i.e. selling expenses, administrative expenses and financial expenses) of the Group in aggregate accounted for 11.15% of the revenue from principal activities, representing a year-on-year decrease of 1.22 percentage points.

During the Reporting Period, the Group repaid part of the mature loans. Through the issuance of bank acceptance bills of RMB2,148 million and commercial acceptance bills of RMB660 million, the Group effectively controlled its costs of capital, with a year-on-year decrease in financial expenses as a percentage to revenue from principal activities of 1.69 percentage points.

FINANCIAL POSITION

Assets and Liabilities Structure

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

Item	2009 (RMB'000)	2008 (RMB'000)	Change as at the end of the Reporting Period to those as at the beginning of the year (%)
Fixed assets	**25,609,417**	22,435,101	14.15
Current and other assets	**21,539,081**	20,097,022	7.18
Total assets	**47,148,498**	42,532,123	10.85
Current liabilities	**12,073,311**	11,174,234	8.05
Non-current liabilities	**5,772,307**	6,089,682	(5.21)
Minority interests	**543,241**	471,543	15.20
Equity attributable to shareholders of the Company	**28,759,639**	24,796,664	15.98
Total liabilities and shareholders' equity	**47,148,498**	42,532,123	10.85

During the Reporting Period, the Group's financial structure remained to be sound and healthy. Its gearing ratio was 37.85% calculated in accordance with the PRC Accounting standards, down 2.74 percentage points as compared with that at the end of the previous year. Such decrease was mainly due to satisfactory business operations of the Company, repayment of mature bank loans and increase in profitability.

As at 31 December 2009, the Group's total assets prepared in accordance with the PRC Accounting Standards amounted to RMB47,148.50 million, representing an increase of 10.85% as compared with that at the end of the previous year; equity attributable to shareholders of the Company amounted to RMB28,759.64 million, representing a growth of 15.98% as compared with that at the end of the previous year; net assets per share attributable to shareholders of the Company was RMB16.28, representing an increase of 15.98% as compared with that at the end of the previous year.

As at 31 December 2009, the Group's fixed assets prepared in accordance with the PRC Accounting Standards amounted to RMB25,609.42 million, representing an increase of 14.15% as compared with that at the end of the previous year. Such increase was mainly attributable to a re-classification of the projects under construction to fixed assets, after their completion and commencement of production during the Reporting Period. The Company's current and other assets amounted to RMB21,539.08 million, up by 7.18% as compared with that at the end of the previous year.

As at 31 December 2009, the total current assets and total current liabilities prepared in accordance with the PRC Accounting Standards amounted to RMB10,096.94 million and RMB12,073.31 million respectively, with a current ratio of 0.84:1 (corresponding period last year: 1.21:1). The Group's total current assets and total current liabilities prepared in accordance with the IFRSs amounted to RMB10,508.86 million and RMB12,073.31 million respectively, with a net gearing ratio of 0.21 (corresponding period last year: 0.16). The decrease in the current ratio was primarily due to higher investment in construction projects by the Company, resulting in increases in both construction in progress and fixed assets, hence a decrease in current assets.

Liquidity and sources of funds

Maturity analysis of bank loans and other borrowings of the Group as at 31 December 2009:

	As at 31 December 2009 (RMB'000)	As at 31 December 2008 (RMB'000)
Due within 1 year	**4,183,280**	4,795,176
Due after 1 year but within 2 years	**1,279,130**	2,609,000
Due after 2 years but within 5 years	**3,390,310**	2,624,000
Due after 5 years	**724,182**	800,455
Total	**9,576,902**	10,828,631

As at 31 December 2009, the Group's long-term and short-term borrowings decreased as compared with those of the corresponding period last year, primarily as a result of the repayment of part of the bank loans, which further improved the liability structure.

ANALYSIS OF CASH FLOW

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

	2009 (RMB'000)	2008 (RMB'000)
Net cash flows generated from operating activities	**7,029,352**	5,266,375
Net cash flows generated from/(used in) investing activities	**(7,813,154)**	(6,360,020)
Net cash flows generated from/(used in) financing activities	**(2,394,532)**	6,433,149
Net increase/(decrease) in cash and cash equivalents	**(3,178,334)**	5,339,504
Balance of cash and cash equivalents at the beginning of the year	**6,751,211**	1,411,707
Balance of cash and cash equivalents at the end of the year	**3,572,877**	6,751,211

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB7,029.35 million, representing an increase of RMB1,762.98 million as compared with that of last year. Such increase was mainly due to the increase in the revenue from operation of the Group and the use of bank acceptance bills and commercial acceptance bills, which reduced expenditure by payment of cash, hence an increase in net cash flows generated from operating activities.

During the Reporting Period, the Group's net cash flows used in investing activities decreased by RMB1,453.13 million as compared with that of last year, which was mainly due to an increase in cash outflow used in investing activities as a result of the Group making greater investments in construction projects.

During the Reporting Period, the Group's net cash flows generated from financing activities decreased by RMB8,827.68 million as compared with that of last year, which was mainly due to a smaller cash inflow arising from financing activities during the Reporting Period as compared with that in 2008, during which proceeds of RMB11,282 million were raised from the public offering of additional A shares.

CAPITAL EXPENDITURE

During the Reporting Period, the capital expenditure of the Group amounted to approximately RMB8,000 million, 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 2009, capital commitments in respect of the purchase of machinery and equipment for production that were committed but had not been provided for in the accounts are set out as follows:

	As at 31 December 2009 (RMB'000)	As at 31 December 2008 (RMB'000)
Authorized and contracted for	**4,425,361**	4,219,590
Authorized but not contracted for	**8,705,135**	7,685,571
Total	**13,130,496**	11,905,161

Items measured by fair value

In accordance with the relevant requirements of the PRC Accounting Standards, the Group has adopted the market price of assets at the end of the period (i.e. the closing price at the year end) as the fair value of available-for-sale equity securities. For the available-for-sale equity securities with trading restrictions which were acquired under agreements, the Group will measure their values by assessment. As at the end of the Reporting Period, the fair value movement of the above assets was recognized in capital reserve (for details, please refer to notes 2 (9) and 5 (8) to the financial statements prepared in accordance with the PRC Accounting Standards). For details of the risk analysis of financial instruments, please refer to the other material matters (2) under note 10 to the financial statements prepared in accordance with the PRC Accounting Standards. During the Reporting Period, there was no major change in the measurement of the major assets of the Group.

Item [1]	**Amount as at the beginning of the period**[2] (RMB'000)	**Fair value movement for the period**[3] (RMB'000)	**Accumulated fair value movement recognized in equity**[4] (RMB'000)	**Impairment recognized as profit or loss for the period**[5] (RMB'000)	**Amount as at the end of the period**[6] (RMB'000)
Financial assets					
Of which:					
1. Financial assets at fair value through profit or loss	–	–	–	–	–
Of which: Derivative financial assets	–	–	–	–	–
2. Available-for-sale financial assets	1,201,757	1,182,409	1,170,188	–	2,343,992
Financial assets sub-total	1,201,757	1,182,409	1,170,188	–	2,343,992

Financial assets and financial liabilities denominated in foreign currency

Item[1]	Amount as at the beginning of the period [2] (RMB'000)	Fair value movement for the period [3] (RMB'000)	Accumulated fair value movement recognized in equity [4] (RMB'000)	Impairment recognized as profit or loss for the period [5] (RMB'000)	Amount as at the end of the period [6] (RMB'000)
Financial assets					
Of which:					
1. Financial assets at fair value through profit or loss	–	–	–	–	–
Of which: Derivative financial assets	–	–	–	–	–
2. Loans and receivables	80,803	–	–	–	49,278
3. Available-for-sale financial assets	–	–	–	–	–
4. Investment held to maturity	–	–	–	–	–
Financial assets sub-total	80,803	–	–	–	49,278
Financial liabilities					
Of which:					
1. Financial liabilities carried at amortised cost	–	–	–	–	76,849
Financial liabilities sub-total	–	–	–	–	76,849

Note: During the Reporting Period, the assets denominated in foreign currency held by the Group were mainly US Dollar-denominated assets which included receivables and bank deposits, equivalent to RMB49.28 million and RMB14.31 million respectively; the Group's financial liabilities denominated in foreign currency were mainly US Dollar-denominated liabilities which included advance from customers and short-term loans, equivalent to RMB11.13 million and RMB65.72 million respectively (please refer to note 10(4) to the financial statements prepared in accordance with the PRC Accounting Standards for details). The foreign currency transactions conducted during the Reporting Period were translated at the rate of the date of transaction; and translated at the rate on the balance sheet date as at the end of the year. The exchange difference was recognized in the profit or loss for the period. (Please refer to note 2(8) to the financial statements prepared in accordance with the PRC Accounting Standards for details).

OUTLOOK FOR 2010

In 2010, the PRC government will maintain continuity and stability in its macro-economic policies, and continue to pursue proactive fiscal policies and appropriate easing monetary policies. By stimulating the consumption demand of local residents, encouraging energy savings and emission reduction, accelerating the economic transition and adjusting and improving the economic structure, the PRC government aims to ensure a rapid but stable development of its national economy and maintain a GDP growth rate of about 8%.

In 2010, in connection with the RMB4 trillion stimulus package, numerous infrastructure projects, (including express railways, airports, nuclear power plant and large-scale water facilities) will reach the peak phase of construction. Besides, the State implemented a series of policies and measures including the promotion of low income housing, the shantytown redevelopment projects, expansion of the scope of the pilot project on renovating dilapidated housings in rural areas, and the “Building Materials Subsidy Policy for Rural Villages”. These will stimulate robust domestic demands for cement. In the international market, demand for cement is also expected to grow in line with the stable recovery of the global economy and the revitalization of the construction market.

In addition, the promulgation and implementation of the Guo Fa No. 38 Document will substantially raise the entry barrier of the cement industry, effectively check the irrational investments in the cement industry and slow down the overgrowth of production capacity, hence ensuring healthy development of the cement industry. The National Development and Reform Commission plans to eliminate 50 million tonnes of obsolete cement production capacity in 2010, which will in turn optimize the structure of the cement industry and gradually increase industry concentration. The imbalance of demand and supply will gradually improve. The implementation of the above policies will help create a favourable business environment for large enterprises. The Group, as a leading enterprise in the cement industry, will benefit from such policies in the long run.

In 2010, the Group will pursue project construction in a proactive yet prudent manner in line with the relevant industrial policies on the cement industry issued by the State. After the completion of the construction of a 5,000 t/d cement and clinker production line at subsidiaries, such as Dazhou Conch, Chongqing Conch, Qianyang Conch and Liquan Conch in West China, the Group will begin the construction of three 12,000 t/d cement and clinker production lines at subsidiaries, such as Wuhu Conch and Tongling Conch. In addition, in response to the requirement of the State for optimising industry structure, the Group will actively identify and acquire suitable projects when it considers appropriate, in order to stimulate rapid and healthy development of the Company. In 2010, the Group's plans to allocate approximately RMB10 billion for capital expenditure, which will be primarily financed by its internal resources, part of the proceeds arisen from the public offering of new A shares and bank loans. It is expected that the clinker production capacity and cement production capacity will increase by approximately 28.80 million tonnes and 50 million tonnes respectively.

In the aspects of energy conservation and environmental protection, the Group will continue to proactively participate in the investment in residual heat electricity generation projects. The Group will speed up the construction progress of the residual heat generation projects ancillary to clinker production lines, with the aim of putting them into operation as soon as practicable. In 2010, the Group plans to have approximately 15 sets of residual heat electricity generation units put into operation with an aggregate new installed capacity of 162MW. In addition, Tongling Conch's project of cement kiln for urban waste treatment was put into trial operation in March 2010, and about 600 tonnes of urban wastes were treated on a daily average basis. This project not only attains economic benefits but is also beneficial to the society at large.

In the aspects of operation and management, in 2010, the Group will further improve the sales mix of each region to further expand its market share and profitability; it will constantly fine-tune and broaden the procurement channels of raw materials such as coal and composite materials to reduce purchasing costs. The Group will also further improve its management structure, define the roles and responsibilities of the Company's headquarters, regional management committee and subsidiaries, and improve various professional management control systems of the Company; afford attention to provision of professional skill training to employees; improve its incentive mechanism; and strengthen the Company's management and control ability and risk control ability, and further enhance quality control in its operations.

We believe there will be more opportunities than challenges for the cement industry in 2010. We will strive to seize these opportunities, effectively perform our management work, and add value for our shareholders.

The management of the Company would like to take this opportunity to express our sincere gratitude to shareholders and different sectors in the society for their long-term support to the development of the Company.

(1) PRINCIPAL ACTIVITIES

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

(2) PRINCIPAL INVESTMENTS DURING THE REPORTING PERIOD

1. Use of proceeds raised from public issue of shares in 2008 and progress of investment projects during the Reporting Period

In 2008, the total proceeds raised from public issue of shares amounted to RMB11,476 million. Net proceeds after deducting issuing expenses amounted to RMB11,282.06 million. During the Reporting Period, use of proceeds ("Proceeds"), progress of the investment projects ("Investment Projects") and gains arising therefrom were set out as follows:

(RMB'000)

Item	Description of Project	Progress	Proceeds committed to be used	Actual amount of proceeds used	Gain from project
1	2×4,500t/d cement and clinker production lines project of Digang Conch	In operation	702,210	702,210	137,090
2	4×4,500t/d cement and clinker production lines project of Chizhou Conch	Two in operation Two under construction	1,530,180	904,640	95,630
3	2×4,500t/d cement and clinker production lines project of Yiyang Conch	One in operation One under construction	1,185,960	742,270	32,780
4	5,000t/d cement and clinker production line project of Shimen Conch	In operation	529,080	500,000	57,820

(RMB'000)

Item	Description of Project	Progress	Proceeds committed to be used	Actual amount of proceeds used	Gain from project
5	4,500t/d cement and clinker production line project of Fusui Conch	In operation	333,680	292,160	122,220
6	4,000t/d cement and clinker production line project (phase one) of Beiliu Conch	In operation	453,200	322,970	173,600
7	2×18MW residual heat electricity generation project of Wuhu Conch	In operation	262,730	176,780	139,850
8	The 1st set of residual heat electricity generation unit of 2×18MW residual heat electricity generation project of Xuancheng Conch	In operation	88,190	88,190	67,080
9	2×18MW residual heat electricity generation project of Chizhou Conch	One in operation One under construction	262,770	92,190	56,150
10	18MW residual heat electricity generation project of Digang Conch	In operation	132,920	85,000	59,010
11	12MW residual heat electricity generation project of Baimashan Cement Plant of Anhui Conch Cement Co., Ltd.	In operation	93,540	56,340	41,020
12	18MW residual heat electricity generation project of Huaining Conch	In operation	131,650	120,600	73,240
13	16.3MW and 30.5MW residual heat electricity generation projects of Tongling Conch	In operation	371,460	339,610	166,230
14	11.6MW and 17MW residual heat electricity generation projects of Chizhou Conch	In operation	216,530	185,640	103,990
15	15MW and 18.5MW residual heat electricity generation projects of Zongyang Conch	In operation	275,060	269,230	115,790

(RMB'000)

Item	Description of Project	Progress	Proceeds committed to be used	Actual amount of proceeds used	Gain from project
16	18MW residual heat electricity generation project of Beiliu Conch	In operation	133,020	78,670	30,110
17	18MW residual heat electricity generation project of Fusui Conch	In operation	133,030	77,850	42,210
18	18MW residual heat electricity generation project of Xing'an Conch	In operation	133,040	79,810	46,360
19	18MW residual heat electricity generation project of Shuangfeng Conch	In operation	130,000	87,210	44,450
20	24MW residual heat electricity generation project of Zhongguo Cement Co., Ltd. ("Zhongguo Plant")	In operation	175,130	100,010	87,260
21	4,500t/d cement and clinker production line project of Shuangfeng Conch	In operation	433,100	329,980	100,530
22	4,000t/d cement and clinker production line project of Hunan Conch	In operation	406,000	346,070	46,570
23	4,000t/d cement and clinker production line project of Xing'an Conch	In operation	378,360	260,490	98,390
24	4,500t/d cement and clinker production line project (phase two) of Beiliu Conch	In operation	277,220	246,150	42,730
25	18MW residual heat electricity generation project of Shimen Conch	In operation	130,000	69,990	17,760
26	18MW residual heat electricity generation project of Zongyang Conch	In operation	132,970	62,280	500
27	9.1MW residual heat electricity generation project of Hunan Conch	In operation	65,000	44,820	8,580
28	The spare parts processing centre project of Conch M & E	In operation	330,000	132,080	4,090

(RMB'000)

Item	Description of Project	Progress	Proceeds committed to be used	Actual amount of proceeds used	Gain from project
29	The new dry-process kiln for urban waste treatment project of Tongling Conch	Under construction	154,340	100,110	–
30	The energy conservation technology upgrade project of the Company	Completed	38,445	15,500	37,490
31	The optimization of financial structure and repayment of bank loans project	Repaid	2,000,000	1,998,000	56,970
	Total		**11,618,820**	**8,906,850**	**2,105,500**

Note: The gain from projects listed above represents the total profit generated from the relevant project in the Reporting Period.

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

(Unit: RMB'000)

Item	Description of proposed investment projects	Progress of the project	Total investment of the project	Investment amount funded by the Proceeds	Actual amount of fund used
1	Project of 4,500 t/d cement and clinker production line (phase one), 2.20 million tonnes cement grinding and 18MW residual heat electricity generation unit of Chongqing Conch	Under construction	903,700	300,000	300,000
2	Project of 4,500 t/d cement and clinker production line (phase one), 2.20 million tonnes cement grinding and 18MW residual heat electricity generation unit of Dazhou Conch	Under construction	787,850	300,000	300,000
3	Project of 4,500 t/d cement and clinker production line (phase one), 2.20 million tonnes cement grinding and 18MW residual heat electricity generation unit of Guangyuan Conch	Under construction	716,170	300,000	300,000
4	Project of 4,500 t/d cement and clinker production line (phase one), 2.20 million tonnes cement grinding and 9MW residual heat electricity generation unit of Pingliang Conch	In operation	767,250	300,000	300,000
	Sub-total		**3,174,970**	**1,200,000**	**1,200,000**
5	Repayment of bank loans		–	1,230	–
	Total		**3,174,970**	**1,201,230**	**1,200,000**

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 the Proceeds during the Reporting Period

(Unit: RMB'000)

Item	Description of investment projects	Progress of the project	Capital used during the Reporting Period	Gain from project
1	Project of the 2x4,500 t/d clinker production lines (phase four) of Zongyang Conch	In operation	488,420	11,510
2	Project of the 4,500 t/d clinker production line, 9MW residual heat electricity generation unit and 2.00 million tonnes cement grinding unit of Quanjiao Conch	Under construction	443,670	–
3	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 of Qingxin Cement	Partially in operation	602,190	-4,350
4	Project of the 4,500 t/d clinker production line, 9MW residual heat electricity generation unit and 2.20 million tonnes cement grinding of Qianyang Conch	Under construction	300,790	–
5	Project of the 2x4,500 t/d clinker production lines, 18MW residual heat electricity generation unit and 4.40 million tonnes cement grinding of Liquan Conch	Under construction	305,810	–

(Unit: RMB'000)

Item	Description of investment projects	Progress of the project	Capital used during the Reporting Period	Gain from project
6	Project of the 4,500 t/d clinker production line and 9MW residual heat electricity generation unit of Linxiang Conch	Under construction	434,320	–
7	2.20 million tonnes cement grinding project of Taizhou Yangwan Conch Cement Co., Ltd. ("Yangwan Conch")	In operation	224,700	–
8	Project of the 3.20 million tonnes cement grinding and ancillary terminal of Ganjiang Conch	Under construction	233,210	–
9	Project of the 2.00 million tonnes cement grinding and ancillary terminal of Foshan Conch	Under construction	176,620	–
10	Project of the 4.40 million tonnes cement grinding and ancillary terminal of Xiangshan Conch	Under construction	140,980	–
	Total		**3,350,710**	**7,160**

Notes:

1. As the 2x5,000 t/d clinker production lines of Qingxin Cement commenced operation at the end of December 2009 and were under trial operation, it recorded a slight loss due to under utilization.

2. The gain from projects listed above represents the total profit generated from the relevant project in the Reporting Period.

3. Increase in capital of certain subsidiaries and branches during the Reporting Period

During the Reporting Period, in order to meet the needs of operational development or project development of certain subsidiaries and branches of the Company, the Company increased the capital in these subsidiaries and branches as follows:

(Unit: RMB'000)

Item	Company name	Increase in capital during the Reporting Period	Registered capital/share capital after increase in capital	Percentage of shares directly and indirectly held by the Company (%)
1	Wuhu Plastic(Note 1)	28,506	30,000	100
2	Digang Conch(Note 3)	790,860	590,000	100
3	Chizhou Conch(Note 3)	1,913,800	950,000	100
4	Zongyang Conch(Note 3)	388,690	410,000	100
5	Tongling Conch(Note 3)	469,350	742,000	100
6	Yiyang Conch(Note 3)	950,000	457,500	100
7	Shimen Conch(Note 3)	570,000	421,000	100
8	Shuangfeng Conch(Note 3)	420,000	492,000	100
9	Hunan Conch(Note 3)	400,000	400,000	100
10	Fusui Conch(Note 3)	370,000	328,000	100
11	Xing'an Conch(Note 3)	420,000	350,000	100
12	Wuhu Conch(Note 3)	176,780	530,000	100
13	Xuancheng Conch(Note 3)	88,190	406,500	100
14	Huaining Conch	123,250	273,250	100
15	Beiliu Conch(Note 3)	700,000	450,000	100
16	Zhongguo Plant	100,000	200,000	100
18	Qingxin Cement	310,000	320,000	100
19	Jiande Conch	150,000	200,000	100
20	Dazhou Conch	300,000	480,000	100
21	Guanyuan Conch	300,000	480,000	100
22	Chongqing Conch	350,000	550,000	100
23	Pingliang Conch	320,000	470,000	100
24	Liquan Conch	300,000	480,000	100
25	Qianyang Conch	90,000	270,000	100
26	Quanjiao Conch	170,000	350,000	100
27	Liu'an Conch	9,000	89,000	100
28	Huainan Conch Cement Co., Ltd. ("Huainan Conch")	60,000	160,000	100

(Unit: RMB'000)

Item	Company name	Increase in capital during the Reporting Period	Registered capital/share capital after increase in capital	Percentage of shares directly and indirectly held by the Company (%)
29	Huai'an Chuzhou Conch Cement Co., Ltd. ("Chuzhou Conch")	33,000	113,000	100
30	Jining Conch Cement Co., Ltd. ("Jining Conch")	35,000	235,000	100
31	Ganjiang Conch	33,000	113,000	100
32	Linxiang Conch	140,000	290,000	100
33	Wuhu Conch	130,000	660,000	100
34	Fenyi Conch	60,000	110,000	100
35	Jiangdu Conch	60,000	210,000	100
36	Conch Construction(Note 2)	20,000	30,000	95

Notes:

1. The registered capital of Wuhu Plastic was increased by capitalizing its retained earnings;

2. The capital increase of Conch Construction in the table above was contributed by its shareholders in cash according to their respective shareholdings thereof.

3. The capital increase of Digang Conch, Chizhou Conch, Zongyang Conch and Tongling Conch in the table above was based on amounts of registered capital/share capital arrived at by dividing the total capital contribution by the net asset per share, and the difference between the total capital contribution and the amount of increase in registered capital is included in capital surplus.

4. Principal investment in project companies during the Reporting Period

(1) Zunyi Conch

On 16 January 2009, the Company and Panjiang Coal & Electricity (Group) Co., Ltd. ("Panjiang Coal & Electricity") jointly established Zunyi Conch, which is located in Zunyi city, Guizhou province with a registered capital of RMB160 million. 50% of its equity interest is held by the Company.

(2) Liquan Conch

On 10 February 2009, the Company established Liquan Conch, which is located in Liquan county, Shaanxi province with a registered capital of RMB180 million. 100% of its equity interest is held by the Company.

(3) Qianyang Conch

On 10 February 2009, the Company established Qianyang Conch, which is located in Qianyang county, Shaanxi province with a registered capital of RMB180 million. 100% of its equity interest is held by the Company.

(4) Huainan Conch

On 30 March 2009, the Company established Huainan Conch, which is located in Fengtai county, Anhui province with a registered capital of RMB100 million. 100% of its equity interest is held by the Company.

(5) Yangchun Conch

On 2 June 2009, the Company established Yangchun Conch, which is located in Yangchun city, Guangdong province with a registered capital of RMB180 million. 100% of its equity interest is held by the Company.

(6) Jining Conch

On 29 June 2009, the Company established Jining Conch, which is located in Jining city, Shandong province with a registered capital of RMB200 million. 100% of its equity interest is held by the Company.

(7) Qiyang Conch Cement Co., Ltd. ("Qiyang Conch")

On 24 July 2009, the Company established Qiyang Conch, which is located in Qiyang county, Hunan province with a registered capital of RMB200 million. 100% of its equity interest is held by the Company.

(8) Nantong Jiuweigang Conch Cement Co., Ltd. ("Jiuweigang Conch")

On 12 August 2009, the Company established Jiuweigang Conch, which is located in Nantong city, Jiangsu province with a registered capital of RMB100 million. 100% of its equity interest is held by the Company.

(9) Hunan Yiyang Conch Cement Co., Ltd. ("Hunan Yiyang Conch")

On 3 September 2009, the Company established Hunan Yiyang Conch, which is located in Yiyang county, Hunan province with a registered capital of RMB200 million. 100% of its equity interest is held by the Company.

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

As at 31 December 2009, the Company had 76 majority-owned subsidiaries, 4 jointly-controlled entities and 3 invested companies, details of which were set out in notes 17, 18 and 19 to the financial statements prepared in accordance with IFRS in this report.

During the Reporting Period, the relevant financial information of the three subsidiaries with the highest net profits shown in the accounting statements prepared in accordance with the PRC Accounting Standards was set out below:

(Unit: RMB'000)

Item	Name	Registered capital	Total assets	Net assets	Revenue from principal activities	Profit from principal activities	Net profit
1	Prosperity Conch	580,000	2,399,455	1,401,842	1,763,752	539,086	417,997
2	Tongling Conch	742,000	3,394,364	2,475,780	2,220,016	530,841	375,199
3	Chizhou Conch	950,000	3,639,433	2,754,996	1,726,729	394,490	314,520

The principal activities of the above three subsidiaries are production and sales of cement and commodity clinkers. Net profit recorded a substantial growth as compared to that in the same period of last year. Net profit of Prosperity Conch grew by 61.17% year-on-year, mainly attributable to the growing cement demand from key construction projects which drove up sales volume, and as a result of the greater reduction in the costs of production due to a significant decline in the price of raw materials such as coal.

(4) WORK OF THE BOARD

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

1. On 7 January 2009, the Board considered and approved the resolution in respect of the joint investment in the establishment of Zunyi Conch Cement Co., Ltd. with Panjiang Coal & Electricity.

2. On 1 February 2009, the Board considered and approved the resolution in respect of the investment in the establishment of Liquan Conch and Qianyang Conch.

3. On 27 February and 6 March 2009, the Board considered and approved the resolution in respect of the increase in capital in Wuhu Plastic and Conch M & E, respectively.

4. On 30 March 2009, the Board considered and approved the resolution in respect of the annual report of the Company for the year 2008, operating plans and financial budget targets for the year 2009. Details of the Board meeting and resolution considered and approved at the meeting of the Board were published in Shanghai Securities Journal on 31 March 2009.

5. On 31 March 2009, the Board considered and approved the resolution in respect of the investment in the establishment of Huainan Conch.

6. On 2 April 2009, the Board considered and approved the resolution in respect of the proposed issuance of corporate bonds of the Company of no more than RMB9.5 billion.

7. On 24 April 2009, the Board considered and approved the resolution in respect of the first quarterly report for the year 2009. Details of the Board meeting and resolution considered and approved at the meeting of the Board were published in Shanghai Securities Journal on 25 April 2009.

8. On 13 May 2009, the Board considered and approved the resolution in respect of the investment in the establishment of Yangchun Conch Cement.

9. On 1 June 2009, the Board considered and approved the resolutions in respect of the connected transaction of the residual heat electricity generation project between the Company and Conch Kawasaki Engineering; connected transaction of purchase of milling equipment between the Company and Conch Kawasaki Equipment; connected transaction of provision of design services for cement and clinker projects from Conch Design to the Company; and connected transaction of purchase of clinker from Chaohu Haichang Cement Company Limited ("Chaohu Haichang") by the Company. Details of the resolutions considered and approved at the meeting of the Board were published in Shanghai Securities Journal on 2 June 2009.

10. On 12 June 2009, the Board considered and approved the resolution in respect of the investment in the establishment of Jining Conch.

11. On 24 June 2009, the Board considered and approved the resolution in respect of the capital increase of relevant project companies with the Proceeds raised in 2008.

12. On 29 June 2009, the Board considered and approved the resolution in respect of the borrowings from Conch Holdings to the Company in the sum of no more than RMB1.0 billion. Details of the resolution considered and approved at the meeting of the Board were published in Shanghai Securities Journal on 30 June 2009.

13. On 9 July, 23 July and 12 August 2009, the Board considered and approved the resolution in respect of the investment in the establishment of Qiyang Conch, Jiuweigang Conch and Hunan Yiyang Conch, respectively.

14. On 19 August 2009, the Board considered and approved the resolution in respect of the interim report for the year 2009. Details of the resolution considered and approved at the meeting of the Board were published in Shanghai Securities Journal on 20 August 2009.

15. On 28 August and 4 September 2009, the Board considered and approved the resolution in respect of the increase in capital of Qingxin Cement and Jiande Conch, respectively.

16. On 13 October 2009, the Board considered and approved the resolution in respect of the connected transaction of joint construction between Conch Hotel, Conch Venture Property and the Company. Details of the resolution considered and approved at the meeting of the Board were published in Shanghai Securities Journal on 14 October 2009.

17. On 20 October 2009, the Board considered and approved the resolution in respect of the connected transaction of urban waste treatment project between Tongling Conch and Conch Kawasaki Engineering.

18. On 26 October 2009, the Board considered and approved the resolution in respect of the third quarterly report for the year 2009. Details of the resolution considered and approved at the meeting of the Board were published in Shanghai Securities Journal on 27 October 2009.

19. On 6 November 2009, the Board considered and approved the resolution in respect of the increase in capital of 12 subsidiaries including Liquan Conch with cash contribution.

20. On 26 November 2009, the Board considered and approved the resolution in respect of the provision of guarantee for the loans of three subsidiaries including Dazhou Conch. Details of the resolution considered and approved at the meeting of the Board were published in Shanghai Securities Journal on 27 November 2009.

21. On 30 December 2009, the Board considered and approved the resolution in respect of the increase of capital in Guiding Conch, Guiyang Conch and Zunyi Conch with cash contribution.

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

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

1. *Implementation of the profit appropriation for 2008*

   On 5 June 2009, the resolution of the profit appropriation proposal for the year 2008 was passed at the annual general meeting for year 2008. Based on the total number of issued shares of the Company of 1,766,434,193 shares as at 31 December 2008, the Company has paid a final dividend of RMB0.30 per share (tax inclusive), totaling approximately RMB529,930,000. On 25 June 2009 and 29 June 2009, the above-mentioned dividend was paid to the holders of H Shares and the holders of A Shares whose names appeared on the register of H Share and A Share members on the record date, respectively.

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

   Pursuant to the authorization granted in the annual general meeting for the year 2008, the remunerations of the PRC auditor, KPMG Huazhen Certified Public Accountants, and international auditor, KPMG Certified Public Accountants, were determined.

3. *Matters relating to the issue of corporate bonds*

   At the 2008 annual general meeting, the resolution on the issuance of corporate bonds in an aggregate principal amount of no more than RMB9.5 billion within the PRC was considered and approved. During the Reporting Period, the Company has filed the materials for the issuance of corporate bonds with the CSRC. As of the date of this report, the application is still pending the approval by CSRC.

(5) PROFIT APPROPRIATION PROPOSAL

Based on the financial data prepared in accordance with the PRC Accounting Standards and IFRS respectively, the Group's profit attributable to equity shareholders for year 2009 amounted to RMB3,544.37 million and RMB3,505.94 million respectively. The Board of the Company proposed the appropriation of the profit for the year ended 31 December 2009 as follows:

(1) Pursuant to the requirements of the Articles of Association of the Company, it is proposed that based on the statutory accounts prepared in accordance with the PRC Accounting Standards, 10% of the net profit after tax shall be appropriated to the statutory surplus reserve of the Company, which amounted to approximately RMB287.14 million.

(2) Based on the Company's total number of 1,766,434,193 outstanding shares in its share capital as at 31 December 2009, the payment of a final dividend of RMB0.35 per share (tax inclusive) is proposed, totaling approximately RMB618.25 million.

(3) Allot and issue 10 new shares for every 10 outstanding shares held by existing Shareholders from capital reserve – share premium to share capital. After such capitalisation issue, the Company's capital reserve will decrease from RMB15,065.05 million to RMB13,298.62 million.

The timetable and other related details concerning the proposed issue to holders of H Shares of new H Shares from the capital reserve – share premium are set out in the circular to holders of H Shares, to be despatched together with (or shortly after the despatch of) this annual report to holders of H Shares. In respect of the H shares to be issued in such connection, application for listing approval from the Stock Exchange will be made in due course.

After the implementation of the above-mentioned profit appropriation proposal (if approved), the total share capital of the Company would increase from 1,766,434,193 shares to 3,532,868,386 shares. At the same time, it will be proposed to Shareholders in general meeting to grant authority to the Board to handle the relevant matters that may arise from the change of registered capital of the Company as a result of the implementation of the profit appropriation proposal for the year 2009, such as increase in registered capital, amendments to the Articles and filing of changes in particulars for industry and commerce registration.

The above profit appropriation proposal is subject to (i) consideration and approval by Shareholders at the annual general meeting for year 2009, and (ii) the Stock Exchange granting approval for listing of, and permission to deal in, new H Shares to be issued under the proposed issued from the capital reserve – share premium as mentioned above.

As far as the Company is aware, as at the date of this report, there was no arrangement under which any shareholder has waived or agreed to waive any dividend proposed to be distributed for the year 2009.

According to the Corporate Income Tax Law of the People's Republic of China《中華人民共和國企業所得稅法》and the relevant implementation rules which came into effect on 1 January 2008, and the Notice on Issues relating to Withholding and Payment of Enterprise Income Tax by Chinese Resident Enterprise over Dividends Distributable to their Holders of H-Shares Who are Overseas Non-resident Enterprises (Guoshuihan No. 897 [2008])《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》promulgated by State Administration of Taxation on 6 November 2008, the Company is required to withhold and pay enterprise 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. Accordingly, the dividend to which they are entitled will be subject to the withholding of the enterprise income tax.

Shareholders and investors should peruse the above contents carefully. If shareholders' name appears on the register of holder of H shares, please make enquiries with your nominees or trust organization for details of the relevant arrangements. The Company is not obliged to confirm the identities of Shareholders. The Company will strictly comply with the law, and withhold and pay the enterprise income tax on behalf of the relevant shareholders based on the register of holders of H Shares of the Company as of the date of closure of such register for the 2009 annual general meeting (please refer to the notice of 2009 annual general meeting published by the Company for details). The Company will not accept any requests relating to any delay in confirming the identity of the shareholders or any errors in the identity of the shareholders.

(6) TAXATION

Details of taxation are set out in notes 7 and 34 to the financial statements prepared in accordance with IFRS, and in note 3 "Taxation" and notes 15, 24, 37 and 43 under note 5 "Notes to Consolidated Financial Statement" to the financial statements prepared in accordance with the PRC Accounting Standards.

(7) MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2009, in the business operation of the Group, the aggregate sales of the Group to its five largest customers amounted to RMB1.223 billion, representing 4.89% of the total sales of the Group; and the largest customer accounted for 1.5% of the total sales of the Group; the aggregate purchases from the five largest suppliers amounted to RMB2.982 billion, representing 17.1% of the total purchases of the Group; and the largest supplier accounted for 5.78% of the total purchases of the Group.

Save for those disclosed above, none of the Directors, Supervisors or their respective associates (as defined in the Listing Rules of the Stock Exchange) or to the knowledge of the Board, shareholders holding 5% or more of the issued shares of the Company has no interests in any of the five largest customers or five largest suppliers of the Group for the year ended 31 December 2009. The major raw materials and energy used by the Company are denominated in RMB.

(8) LEASEHOLD LAND, PROPERTY, PLANT AND EQUIPMENT

Changes in leasehold land, property, plant and machinery of the Company for the year ended 31 December 2009 were set out in note 14 to the financial statements prepared in accordance with IFRS.

(9) TOTAL ASSETS

As at 31 December 2009, the Group's total assets as determined in accordance with IFRS amounted to approximately RMB47,003.95 million, representing an increase of approximately RMB4,620.22 million over that of last year.

(10) RESERVES

Changes in the reserves of the Company and the Group for the year ended 31 December 2009 were set out in note 37 to the financial statements prepared in accordance with IFRS.

(11) DEPOSITS, LOANS AND CAPITALIZED INTEREST

Details of the Group's loans as at 31 December 2009 were set out in notes 31, 32 and 33 to the financial statements prepared in accordance with IFRS. Banks that the Group's deposits were placed with as at 31 December 2009 are reputable commercial banks. The Group has no entrusted deposits and fixed deposits which cannot be withdrawn upon expiry. During the year, interest capitalized in respect of construction-in-progress amounted to RMB55.39 million, details of which were set out in note 6 to the financial statements prepared in accordance with IFRS.

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

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

To mitigate foreign exchange risk, with respect to import, the Group utilized the US dollars received from exports sales to settle the purchase costs of the equipment denominated in US dollars directly. To pay for the equipment denominated in Euro, the Group generally hedged the risk of the exchange rate of Euro by entering into forward contracts or instant purchase of foreign currency after taking into account the advice provided by certain professional financial institutions. The Group would also analyze the economic conditions of the Euro zone, particularly the impact of financial crisis on Euro, make judgment and forecast on the movement trends of Euro exchange rate, and adopt different payment terms. As for export, in connection with the relative stable exchange rate between US dollar and RMB for the year, the Group has closely monitored the change in exchange rates with a view to settle the exchanges at a more favorable rate.

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

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

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

(14) ESTABLISHMENT OF REGULATION SYSTEM GOVERNING THE USE OF INFORMATION BY INSIDERS AND EXTERNAL USERS

In order to further regulate the use of information of the Company by insiders and external users and safeguard the legal interests of the Company and investors, the Administrative Measures on the Use of Information by Insiders and External Users was formulated, considered and approved at the seventh meeting of the fourth session of the board of the Company.

(1) REPORT ON THE WORKS OF THE SUPERVISORY COMMITTEE IN 2009

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

1. On 30 March 2009, the fourth meeting of the fourth session of the Supervisory Committee of the Company was held in the conference room of the Company, at which the report of the Supervisory Committee for year 2008, the financial statements prepared in accordance with IFRS and PRC Accounting Standards respectively for year 2008, the annual report for year 2008 and its summary, the results announcement and the connected transactions occurred in 2008 were considered and approved.

2. On 20 April 2009, a meeting of the Supervisory Committee of the Company was held by means of telecommunication and the first quarterly report for year 2009 of the Company was considered and approved.

3. On 19 August 2009, the fifth meeting of the fourth session of the Supervisory Committee of the Company was held in the conference room of the Company, at which the unaudited financial statements of the Company for the six months ended 30 June 2009 prepared in accordance with PRC Accounting Standards and IFRS respectively, the interim report for year 2009 and its summary and the results announcement were considered and approved.

4. On 26 October 2009, a meeting of the Supervisory Committee of the Company was held by means of telecommunication and the third quarterly report for year 2009 of the Company was considered and approved.

(2) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON CERTAIN ISSUES OF THE COMPANY IN 2009

1. Operations compliance

In 2009, the Supervisory Committee attended the Board meetings and general meetings. In accordance with the relevant laws and regulations, it supervised the process of convening general meetings and Board meetings, matters resolved therein, the process of decision making, the implementation by the Board of resolutions approved by shareholders at general meetings and the performance of the duties by Directors and managers of the Company. The Supervisory Committee considers that the Board has conducted and regulated operation in accordance with the laws and regulations of the Company Law and the Securities Law of the PRC, the Listing Rules of the SSE and the Articles, and rigorously implemented the resolutions of general meetings and made operating decisions scientifically and reasonably and the Board has also established a sound system for internal management and control. None of the Directors, managers and other members of senior management committed any act which would violate any laws, regulations or the Articles or prejudicial to the interests of the Company in the course of performing their duties.

2. **Annual financial report and auditors' report**

The financial statements of the Company for year 2009 gave an objective, true and fair view on the financial position and operating results of the Company. The standard unqualified audit report issued by KPMG on the financial statements was objective and fair.

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

During the Reporting Period, the Company changed the use of part of the Proceeds and the use of the remaining Proceeds raised from the issue of A Shares in 2008 to avoid prolonged idleness of fund and to help increase the utilization rate of the Proceeds. In addition, the reallocation of part of the Proceeds for investment in the western region projects benefits the implementation of the western region strategies of the Company and was in line with the development needs of the Company. The change of the use of Proceeds and the use of the remaining Proceeds was in strict compliance with the approval procedures at the Board meetings and general meetings and in accordance with the requirements of the Company Law and the Articles without prejudice to the interests of minority investors.

4. **Insider dealings**

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

5. **Connected transactions**

During the Reporting Period, the connected transactions of the Company were conducted in accordance with the law and the relevant considerations were made with reference to market prices, which were determined with sufficient references and were fair and reasonable and without prejudice to the interests of the Company.

(1) MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group was not involved in any litigation or arbitration which has a material impact on the Group's business operations, 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

Pursuant to the approval and authorization given by the Board, the Company utilized some of its disposable funds for making strategic investment in a few PRC listed companies in the cement industry with competitive strengths and growth potential. In 2008, the Company successively acquired shares in Jidong Cement, Tongli Cement, Huaxin Cement and Fujian Cement through the secondary market. During the Reporting Period, the Company disposed of all the equity interests which it held in each of Huaxin Cement and Fujian Cement, and purchased 2,175,883 additional shares in Jidong Cement, after taking into account the changes in securities market and the Company's judgment on the long-term investment value of the relevant stocks.

As at the end of the Reporting Period, the Company continued to hold 39,385,700 shares in Chaodong Cement. These shares were acquired by agreement in 2007.

During the Reporting Period, the Group made a short-term investment in the shares of six companies including Qingsong Material Building and Chemical Industry and Xishan Coal & Electricity through the secondary market. As at the end of the Reporting Period, the shares in these six companies were all disposed of.

Details of the Company's shareholdings in and trading of shares of other listed companies are set out as follows:

1. Shareholdings in other listed companies:

Stock code	Short name	Initial acquisition cost (RMB)	Proportion of equity 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 Cement	98,019,695	16.28	302,887,849	–	181,579,893
000401	Jidong Cement	1,036,222,821	8.40	1,965,514,200	9,966,423	951,337,198
000885	Tongli Cement	44,349,667	2.12	75,590,361	262,190	43,668,190
600801	Huaxin Cement	33,241,210	–	–	3,604,952	(493,008)
600802	Fujian Cement	29,645,880	–	–	2,167,412	6,316,408
Total		**1,241,479,273**	**-**	**2,343,992,410**	**16,000,977**	**1,182,408,681**

Note: The above shares held by the Company were recorded in the item of "Available-for-sale equity securities".

2. **Trading of shares in 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)
600425	Qingsong Building	–	115,000	115,000	–	1,342,978	155,586
000983	Xishan Coal and Electricity	–	50,000	50,000	–	659,445	78,599
600162	Heungkong Holding	–	50,000	50,000	–	273,211	76,438
601169	Bank of Beijing	–	20,000	20,000	–	223,377	16,560
000789	Jiangxi Cement	–	30,000	30,000	–	226,064	13,196
600720	Qilianshan	–	40,000	40,000	–	430,413	6,020
Total		**–**	**305,000**	**305,000**	**–**	**3,155,488**	**346,399**

Note: The shares in the above companies held by the Group were recorded in the item of "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 trademarks

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 during the period as set out in the Trademark Licensing Agreement. The validity period of the Trademark Licensing Agreement shall be the same as the validity period of the permitted trademarks, and should the validity period of permitted trademarks be extended, the term of the Trademark Licensing Agreement in respect of the trademarks shall be extended automatically. Pursuant to Trademark Licensing

Agreement, the Company is required to pay to Conch Holdings RMB1.513 million per annum for the use of the permitted trademarks. The Group paid the relevant annual fee to Conch Holdings for the use of the permitted trademarks during the Reporting Period. Pursuant to the Listing Rules of the Stock Exchange and the Listing Rules of the SSE, the connected transaction was not subject to the announcement and the independent shareholders' approval requirements.

(2) Transactions with Longshan Cement – Procurement of clinker

On 3 July 2008, as approved by the Board of the Company, Jiangmen Conch, a wholly-owned subsidiary of the Company, and Longshan Cement entered into a clinker procurement agreement ("Clinker Procurement Agreement") for the procurement of clinker by Jiangmen Conch from Longshan Cement. The validity period of the agreement commenced from 1 January 2008 and expired 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 (which holds 25% of its equity interest), and a non wholly-owned subsidiary of the Company (which holds the remaining 75% of Prosperity Conch's equity interest). Under the Listing Rules of the Stock Exchange, Longshan Cement is a connected person of the Company and the above-mentioned transaction constitutes a continuing connected transaction. As Mr. Wu Jianping, an executive director of the Company, serves as a director and general manager of Longshan Cement, under the listing rules of the SSE, Longshan is a connected person of the Company; and accordingly the above transaction constitutes a connected transaction.

The purchase price of clinker was determined with reference to market prices, and after negotiation between the Group and Longshan Cement, which purchase price 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, the purchase price for clinker procured from Longshan Cement by Jiangmen Conch was paid from its working capital on a monthly basis. During the Reporting Period, Jiangmen Conch procured clinker from Longshan Cement for an amount of RMB82.40 million, which did not exceed the annual procurement cap of RMB100.00 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 the website of the Company) and dated 4 July 2008 (published on the SSE website and Shanghai Securities Journal) for details. Such continuing connected transaction was not subject to the approval of independent shareholders in general meeting.

(3) *Transactions with Longshan Cement – Mutual 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 expired on 31 December 2010.

The 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 purchase price 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 RMB5.40 million; and the procurement amount for spare parts and production ancillary materials by Longshan Cement from Prosperity Conch was RMB7.56 million, neither of which exceeded the annual transaction cap of RMB20 million as prescribed under the Spare Parts and Production Ancillary Materials Procurement Agreement.

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

(4) *Transactions with Chaohu Haichang – Procurement of clinker*

On 1 June 2009, as approved by the Board of the Company, the Company and Chaohu Haichang entered into a clinker supply agreement pursuant to which the Company indicated its proposal to procure 290,000 tonnes of clinker from Chaohu Haicahng to grind into cement for sales to the customers of the Group. The total contract value was RMB58 million.

Chaohu Haichang is a wholly-owned subsidiary of Chaodong Cement. Chaohu Haichang, Chaodong Cement and Prosperity Minerals (see item 2 above) are fellow subsidiaries under common control. Prosperity Minerals holds 25% equity interests of Prosperity Conch (a non-wholly owned subsidiary of the Company which holds 75% of its equity interests in Prosperity Conch). Under the listing rules of the Stock Exchange, Chaohu Haichang is a connected person of the Company, and therefore such procurement transaction constitutes a connected transaction for such purpose. Under the listing rules of the SSE, the Company and Chaohu Haichang are not connected parties, and therefore such procurement transaction does not constitute a connected transaction for such purpose.

The purchase price for clinker was mainly determined with reference to clinker quality and the market prices in the same target region and after negotiation between the Company and Chaohu Haichang.

During the Reporting Period, the Group purchased clinker from Chaohu Haichang pursuant to the above clinker supply agreement and the purchase amount was RMB30.57 million. During the Reporting Period, the Group purchased clinker (inclusive of the purchase of the aforesaid clinker) from Chaohu Haichang and paid a total amount of RMB51.87 million.

Please refer to the announcements of the Company dated 1 June 2009 (published on the website of the Stock Exchange and the website of the Company) and dated 2 June 2009 (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 1 June 2009, as approved by the Board of the Company, the Company and Conch Kawasaki Engineering entered into a supply and design of equipment contract, pursuant to which Conch Kawasaki Engineering agreed to provide a whole set of equipment and design services for the construction of residual heat electricity generation projects for certain subsidiaries of the Company. The aggregate contract amount was RMB320.75 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 was a substantial shareholder of the Company holding approximately 16.3% of the entire issued share capital of the Company. Pursuant to the Listing Rules of the Stock Exchange as at the date of entering into the above supply and design of equipment contract, Conch Kawasaki Engineering was an associate of Conch Venture and was therefore a connected person of the Company; as such, the above transaction constituted a connected transaction for such purpose. On 28 July 2009, Conch Venture ceased to be a substantial shareholder of the Company pursuant to the Listing Rules of the Stock Exchange, as its equity interest in the Company fell below 10%. For such reasons, the above transaction ceased to constitute a connected transaction. Mr. He Chengfa, a deputy general manager of the Company, serves as the chairman of Conch Kawasaki Engineering, and pursuant to the Listing Rules of the SSE, Conch Kawasaki Engineering is a connected person of the Company; as such, the above transaction constitutes a connected transaction for such purpose.

In respect of the transaction between the Company and Conch Kawasaki Engineering, the purchase price for the equipment is at actual cost plus a certain amount of mark-up by Conch Kawasaki Engineering. The design fee was determined in accordance with the costs of the projects (which were determined mainly by the scale of the projects and the required level of technology), with reference to the prevailing market prices of such services and the price charged by Conch Kawasaki Engineering to other customers and after negotiation between the parties, which price shall not be higher than that offered by Conch Kawasaki Engineering to independent customers.

During the Reporting Period, for the sole purpose of performing the above supply and design of equipment contract, the relevant equipment price and design fee paid to Conch Kawasaki Engineering by the Group amounted to RMB168.18 million. With respect to the performance of related contracts entered into in prior years, the aggregate amount of the relevant equipment price and design fee paid to Conch Kawasaki Engineering during the Reporting Period was RMB396.8 million.

Please refer to the announcements of the Company dated 1 June 2009 (published on the website of the Stock Exchange and the website of the Company) and dated 2 June 2009 (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 1 June 2009, as approved by the Board of the Company, the Company and Conch Kawasaki Equipment entered into a milling equipment supply contract, pursuant to which the Company agreed to purchase from Conch Kawasaki Equipment 12 sets of milling equipment to be installed at the clinker production lines of certain subsidiaries of the Company. The total contract price was RMB354 million.

Conch Kawasaki Equipment, a sino-foreign equity joint venture enterprise established in the PRC, is owned as to 50% by Conch Venture. Pursuant to the Listing Rules of the Stock Exchange, as at the date of entering into the above milling equipment supply contract, as Conch Venture was a substantial shareholder of the Company holding approximately 16.3% shares of the Company, and Conch Kawasaki Equipment was an associate of Conch Venture. Conch Kawasaki Equipment constituted a connected person of the Company for such purpose. For such reasons, the above transaction constituted a connected transaction. On 28 July 2009, Conch Venture ceased to be a substantial shareholder of the Company, as its equity interest in the Company fell below 10%. Following such cessation, the above transaction does not constitute a connected transaction. Pursuant to the Listing Rules of the SSE, as Mr. He Chengfa, a deputy general manager of the Company serves as a director of Conch Kawasaki Equipment, Conch Kawasaki Equipment is a connected person of the Company; as such, the above transaction constitutes a connected transaction for such purpose.

The contract price under the milling equipment supply contract was determined by the parties to it in having regard to the costs of the equipment, the prevailing market prices of such equipment, and with reference to the price charged by Conch Kawasaki Equipment to other customers, and such price was provided not to be higher than that offered by Conch Kawasaki Equipment to independent customers.

During the Reporting Period, for the sole purpose of performing the above milling equipment supply contract, the Group paid the relevant equipment supply price of RMB141.2 million to Conch Kawasaki Equipment. In connection with the performance of related contracts entered into in prior years, the total equipment price paid to Conch Kawasaki Equipment during the Reporting Period amounted to RMB284 million.

Please refer to the Company's announcements dated 1 June 2009 (published on the website of the Stock Exchange and the website of the Company) and dated 2 June 2009 (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 1 June 2009, as approved by the Board of the Company, the Company and Conch Design entered into a composite project design contract, pursuant to which Conch Design agreed to provide services including design and technological modification of clinker production lines and grinding mill systems for certain subsidiaries of the Company including Guangyuan Conch. The contract price was RMB46.94 million.

Under the Listing Rules of the Stock Exchange, as Conch Design is a wholly-owned subsidiary of Conch Holdings, a controlling shareholder of the Company, Conch Design is an associate of Conch Holdings and is therefore a connected person of the Company; as such, the above transaction constitutes a connected transaction for such purpose. Under Listing Rules of the SSE, Conch Design is a connected person of the Company; as such, the above transaction constitutes a connected transaction for such purpose.

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 as well as the project scale, investment amount, scope of design, standard of technology and the prevailing market prices. The design fee was provided to be settled according to project progress.

During the Reporting Period, for the sole purpose of performing of the above composite project design contract, the Group paid the relevant design fee of RMB19.73 million to Conch Design. Taking into account the aforesaid contract and the related contracts made in prior years, the total design fee paid by the Group to Conch Design during the Reporting Period amounted to RMB31.99 million.

Please refer to the announcements of the Company dated 1 June 2009 (published on the website of the Stock Exchange and the website of the Company) and dated 2 June 2009 (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. **Joint Construction Agreement**

On 13 October 2009, as approved by the Board of the Company (where the related Directors having abstained from voting), the Company, Conch Hotel and Conch Venture Property entered into the Conch Tower Joint Construction Agreement, pursuant to which the three parties agreed to make joint investment in the construction of Conch Tower. The total investment is expected to be approximately RMB260 million, of which the investment to be made by the Company will be approximately RMB52 million. The three parties agreed to be entitled to such portion of the property as well as the ownership thereof in proportion to their respective capital investment.

Under the Listing Rules of the Stock Exchange, as Conch Hotel is a subsidiary of Conch Holdings, the controlling shareholder of the Company, Conch Hotel is a connected person of the Company; as such, the above transaction constitutes a connected transaction for such purpose. Under the Listing Rules of the SSE, Conch Hotel is a connected person of the Company; as at the date of entering into the above joint construction agreement, as Mr. Yu Biao, a former executive director of the Company, served as the chairman of Conch Venture Property, Conch Venture Property is also a connected person of the Company; as such, the above transaction constitutes a connected transaction for the purpose of the listing rules of the SSE.

During the Reporting Period, the Company paid RMB4.784 million for the construction fee of Conch Tower.

Please refer to the Company's announcements dated 13 October 2009 (published on the website of the Stock Exchange and the website of the Company) and dated 14 October 2009 (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.

6. **Loans from controlling shareholder Conch Holdings**

During the Reporting Period, the Company's capital requirements for project development were relatively high. In order to optimise the Company's financial structure and reduce its financial costs, Conch Holdings, the controlling shareholder of the Company, agreed to lend a portion of the fund raised from the issue of its medium term notes to the Company in support of the Company's project construction and development in the west. Pursuant to the approval given by the Board, the aggregate borrowings of the Company from Conch Holdings amounted to RMB600 million with an annual interest rate of 4.69% and a term for 5 years.

Please refer to the Company's announcement dated 29 June 2009 (published on the website of the Stock Exchange and the website of the Company) and the dated 30 June 2009 (published on the website of the SSE and Shanghai Securities News) 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 Group's connected transactions arose in the 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 did not exceed the transaction caps (if any) disclosed in the previous announcements. All continuing connected transactions as stated above were reviewed and confirmed by the independent non-executive Directors.

KPMG Certified Public Accountants reviewed the above continuing connected transactions items (2) to (3) under paragraph (1) above (hereinafter referred to as "transactions") and issued letter to the Board of Directors, confirming that: (1) those transactions were 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 subject to any material entrustment, sub-contracting or leasing arrangements involving assets of other companies, nor were any other companies were entitled to any entrustment, sub-contracting or leasing arrangement involving assets of the Company occurred 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 borrowings and borrowings of its subsidiaries, and all the guarantees were approved either by the Board or by Shareholders in general meeting.

   During the Reporting Period, the guarantees given by the Company for its majority-owned subsidiaries amounted to RMB4,981 million, all being guarantees for collateral liabilities; as at 31 December 2009, the balance of guarantees provided by the Company for its majority-owned subsidiaries amounted to RMB5,451 million, representing 19.66% of the net assets of the Company.

   During the Reporting Period, the Company did not provide any guarantee for its controlling shareholder, de facto controller, other related parties nor 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 guarantees provided by the Company to its majority-owned subsidiaries whose gearing ratios were over 70% amounted to RMB1,790 million.

   As at 31 December 2009, Baimashan Cement Plant and Ningguo Cement Plant, both being branch companies of the Company, pledged their assets with a book value of approximately RMB717 million to International Finance Corporation as security for their long-term loan in the sum of RMB650 million.

3. **Major Entrustment Investment Arrangements**

   During the Reporting Period, the Company had no major entrustment investment arrangements.

4. **Commitments**

   In 2007, the Company issued 287,999,046 A Shares to Conch Venture as consideration for the purchase of certain assets from Conch Venture, and Conch Venture made certain undertakings in respect of lock-up period and shareholders' rights arrangements.

As certain indebtedness owing from Conch Venture to Ping An Trust were set-off by a transfer of 203,828,265 A Shares ("Relevant Shares") out of the above shares issued by Conch Venture, the Relevant Shares have become held by Ping An Trust in accordance with an arbitral award, and such transfer was completed on 28 July 2009. The entrusting party of Ping An Trust – Conch Equity Interest (namely, the staff association committee of Anhui Conch Holdings Co., Ltd.) has undertaken to continue to perform the relevant undertakings previously made by Conch Venture in respect of the Relevant Shares held. The details of the undertakings are as follows:

1. The Relevant Shares will remain as A Shares subject to trading restrictions and will be released from trading restrictions on 26 May 2010; and shall not be sold or traded on the secondary market prior to the expiry of the lock-up period.

2. Shareholders' rights arrangements: so long as Ping An Trust remains a holder of the Relevant Shares, Ping An Trust will give up all its votings and other rights as holder of the Relevant Shares (such as nominating and electing directors or supervisors of the Company), except for rights as a shareholder of proprietary nature (including but not limited to dividend rights, which would not be given up).

(6) FUND APPROPRIATION BY CONTROLLING SHAREHOLDER AND ITS SUBSIDIARIES

During the Reporting Period, there was no appropriation of funds of the Company by its controlling shareholders and its subsidiaries for non-operational purpose. The Board, at its seventh meeting of the Fourth Session, considered and approved a resolution to adopt the "Measures to prevent the Company's funds from being misappropriated by its controlling shareholder and related parties" formulated by the Company. The purpose of such measures is to establish effective measures to prevent the Company's funds from being misappropriated by its controlling shareholder and related parties, and to protect the legitimate interests of the Company, its shareholders and other stakeholders.

(7) PENALTIES AND REMEDIES IN RELATION TO THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS AND DE FACTO CONTROLLER

During the Reporting Period, Mr. Wang Jianchao was subject to an investigation by CSRC in connection with suspected improper dealings by him in shares of the Company. On 3 April 2009, Mr. Wang Jianchao submitted to the Board his resignation as deputy general manager of the Company. The Board accepted his resignation. With effect from that date, Mr. Wang Jianchao ceased to act as a deputy general manager of the Company.

Based on the results of the above investigation, CSRC issued the CSRC's Decision on Administrative Penalty (Wang Jianchao) ([2009] No.34) on 4 September 2009, stating that: Wang Jianchao violated Article 47 of the Securities Law of the PRC, which prohibits short-term trading by directors, supervisors and senior management of listed companies constituting an unlawful act under Article 195 of the Securities Law (namely, vilotation of Article 47 in relation to trading of shares of the company by directors, supervisors or senior management of the listed company or shareholders holding over 5% shares capital of the listed company). Under such decision, Mr Wang was served a warning and sentenced to a fine of RMB50,000.

(8) OTHER SIGNIFICANT EVENTS

During the Reporting Period, as approved by Anhui SASAC (WGZCQH [2009] No.127), 50% equity interests held by the Company in its previously wholly-owned subsidiary (namely, Conch Mechanical & Electrical Equipment Co., Ltd. ("Conch M&E")) was sold to Kawasaki Plant System Co., Ltd. ("Kawasaki Company"), by way of public tender through the equity exchange market. Upon completion of the transfer of such equity interests, the name of Conch M&E was changed to "Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd.", which became held by the Company and Kawasaki Company in equal share, and since then has become a jointly-controlled entity of the Company and Kawasaki Company. Its scope of businesses includes design, procurement, manufacturing, sales, repairs & maintenance and after-sales services of cement equipment. The procedure for changing particulars registered with the industry and commerce administration in relation to such transfer of equity interests was completed on 5 August 2009.

Independent Auditor's Report

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

We have audited the consolidated financial statements of Anhui Conch Cement Company Limited (the "Company") and its subsidiaries ("the Group") set out on pages 97 to 222, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances,

Independent Auditor's Report (continued)

but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

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

29 March 2010

Consolidated income statement

for the year ended 31 December 2009
(Expressed in Renminbi Yuan)

	Note	2009 RMB'000	2008 RMB'000
Revenue	4, 13	**24,998,007**	24,228,268
Cost of sales and services rendered		**(17,971,239)**	(18,320,590)
Gross profit		**7,026,768**	5,907,678
Other revenue	5	**354,111**	324,303
Other net (loss)/income	5	**(22,666)**	60,719
Selling and marketing costs		**(1,419,569)**	(1,366,425)
Administrative expenses		**(977,717)**	(840,435)
Profit from operations		**4,960,927**	4,085,840
Finance costs	6(a)	**(451,145)**	(820,758)
Share of profits of associates		**83**	4,356
Share of losses of jointly controlled entities		**(1,369)**	(351)
Profit before taxation	6	**4,508,496**	3,269,087
Income tax	7(a)	**(882,012)**	(591,080)
Profit for the year		**3,626,484**	2,678,007
Attributable to:			
Equity shareholders of the Company	10	**3,505,936**	2,607,223
Minority interests		**120,548**	70,784
Profit for the year		**3,626,484**	2,678,007
Earnings per share	12		
– Basic		**RMB1.98**	RMB1.55
– Diluted		**RMB1.98**	RMB1.55

The notes on pages 106 to 222 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 37(b).

Consolidated statement of comprehensive income

for the year ended 31 December 2009
(Expressed in Renminbi Yuan)

	Note	**2009 RMB'000**	2008 RMB'000
Profit for the year		**3,626,484**	2,678,007
Other comprehensive income for the year (after tax and reclassification adjustments):			
Available-for-sale equity securities: net movement in the fair value reserve	11	**889,861**	(241,102)
Total comprehensive income for the year		**4,516,345**	2,436,905
Attributable to:			
Equity shareholders of the Company		**4,395,797**	2,366,121
Minority interests		**120,548**	70,784
Total comprehensive income for the year		**4,516,345**	2,436,905

The notes on pages 106 to 222 form part of these financial statements.

Consolidated balance sheet

at 31 December 2009

(Expressed in Renminbi Yuan)

	Note	2009 RMB'000	2009 RMB'000	2008 RMB'000	2008 RMB'000
Non-current assets					
Fixed assets	14(a)				
– Property, plant and equipment			**31,526,436**		25,166,895
– Interests in leasehold land held for own use under operating leases			**1,458,659**		1,263,652
			32,985,095		26,430,547
Intangible assets	15(a)		**476,416**		248,203
Goodwill	16		**16,120**		16,120
Interest in associates	18		**159,364**		163,281
Interest in jointly controlled entities	19		**321,996**		159,649
Loans and receivables	20		**131,862**		222,745
Other investments in equity securities	21		**–**		10
Available-for-sale equity securities	22		**2,343,992**		1,201,757
Deferred tax assets	34(b)		**60,250**		68,970
			36,495,095		28,511,282
Current assets					
Inventories	23	**2,172,191**		1,870,366	
Trade receivables	24	**3,030,137**		4,203,103	
Prepayments and other receivables	25	**1,183,945**		635,605	
Amounts due from related parties	27	**479,907**		344,846	
Tax recoverable	34(a)	**15,637**		19,170	
Restricted cash deposits		**54,163**		48,153	
Cash and cash equivalents	28	**3,572,876**		6,751,211	
		10,508,856		13,872,454	
Current liabilities					
Trade payables	29	**4,274,803**		3,470,634	
Other payables and accruals	30	**2,969,563**		2,395,096	
Bank loans and other borrowings	32	**4,183,280**		4,795,176	
Amounts due to related parties	27	**287,003**		220,313	
Current portion of long-term payables	35	**15,822**		7,325	
Current taxation	34(a)	**342,838**		285,686	
		12,073,309		11,174,230	
Net current (liabilities)/assets			**(1,564,453)**		2,698,224
Total assets less current liabilities			**34,930,642**		31,209,506

Consolidated balance sheet (continued)

at 31 December 2009
(Expressed in Renminbi Yuan)

	Note	2009 RMB'000	2009 RMB'000	2008 RMB'000	2008 RMB'000
Non-current liabilities					
Bank loans and other borrowings	31(a)	**5,393,622**		6,033,455	
Long-term payables	35	**72,375**		33,231	
Deferred income	36	**338,187**		235,593	
Deferred tax liabilities	34(b)	**301,723**		19,907	
			6,105,907		6,322,186
NET ASSETS			**28,824,735**		24,887,320
CAPITAL AND RESERVES					
Share capital	37(c)		**1,766,434**		1,766,434
Reserves			**26,520,906**		22,655,039
Total equity attributable to equity shareholders of the Company			**28,287,340**		24,421,473
Minority interests			**537,395**		465,847
TOTAL EQUITY			**28,824,735**		24,887,320

Approved and authorised for issue by the board of directors on 29 March 2010.

Guo Wen San
Directors

Guo Jing Bin
Directors

The notes on pages 106 to 222 form part of these financial statements.

Balance sheet

at 31 December 2009
(Expressed in Renminbi Yuan)

	Note	2009 RMB'000	2009 RMB'000	2008 RMB'000	2008 RMB'000
Non-current assets					
Fixed assets	14(b)				
– Property, plant and equipment			**972,016**		1,050,089
– Interests in leasehold land held for own use under operating leases			**52,024**		53,218
			1,024,040		1,103,307
Intangible assets	15(b)		**18,414**		17,863
Investments in subsidiaries	17		**26,441,436**		14,243,378
Interest in associates	18		**157,429**		157,429
Interest in jointly controlled entities	19		**314,000**		160,000
Other investments in equity securities	21		**–**		10
Available-for-sale equity securities	22		**2,343,992**		1,201,757
Deferred tax assets	34(b)		**–**		11,285
			30,299,311		16,895,029
Current assets					
Inventories	23	**222,322**		231,818	
Trade receivables	24	**823,502**		1,455,589	
Prepayments and other receivables	25	**22,972**		45,389	
Amounts due from subsidiaries	26	**7,263,331**		7,078,748	
Amounts due from related parties	27	**6,668**		8,400	
Restricted cash deposits		**26,621**		42,981	
Cash and cash equivalents	28	**2,237,133**		5,395,169	
		10,602,549		14,258,094	
Current liabilities					
Trade payables	29	**2,038,444**		1,399,164	
Other payables and accruals	30	**227,011**		241,173	
Bank loans and other borrowings	32	**960,000**		1,388,950	
Amounts due to subsidiaries	26	**8,885,953**		2,344,547	
Amounts due to related parties	27	**99,454**		106,128	
Current taxation	34(a)	**31,334**		37,756	
		12,242,196		5,517,718	
Net current (liabilities)/assets			**(1,639,647)**		8,740,376
Total assets less current liabilities			**28,659,664**		25,635,405

Balance sheet (continued)

at 31 December 2009
(Expressed in Renminbi Yuan)

		2009		2008	
	Note	**RMB'000**	**RMB'000**	RMB'000	RMB'000
Non-current liabilities					
Bank loans and other borrowings	31(a)	**800,000**		1,300,000	
Deferred income	36	**37,669**		17,926	
Deferred tax liabilities	34(b)	**282,239**		–	
			1,119,908		1,317,926
NET ASSETS			**27,539,756**		24,317,479
CAPITAL AND RESERVES	37(a)				
Share capital			**1,766,434**		1,766,434
Reserves			**25,773,322**		22,551,045
TOTAL EQUITY			**27,539,756**		24,317,479

Approved and authorised for issue by the board of directors on 29 March 2010.

Guo Wen San
Directors

Guo Jing Bin
Directors

The notes on pages 106 to 222 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2009
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
Balance at 1 January 2008		1,566,434	2,694,602	48,345	345,738	228,882	5,898,912	10,782,913	464,189	11,247,102
Changes in equity for 2008:										
Total comprehensive income for the year		–	–	–	–	(241,102)	2,607,223	2,366,121	70,784	2,436,905
New shares issued	37(c)	200,000	11,082,057	–	–	–	–	11,282,057	–	11,282,057
Acquisition of minority interests	37(d)(ii)	–	–	(9,618)	–	–	–	(9,618)	(14,851)	(24,469)
Dividends declared by non-wholly owned subsidiaries to minority shareholders		–	–	–	–	–	–	–	(54,275)	(54,275)
Appropriations to reserves for current year profit	37(d)(iii)	–	–	–	125,768	–	(125,768)	–	–	–
Balance at 31 December 2008 and 1 January 2009		1,766,434	13,776,659	38,727	471,506	(12,220)	8,380,367	24,421,473	465,847	24,887,320
Changes in equity for 2009:										
Total comprehensive income for the year		–	–	–	–	889,861	3,505,936	4,395,797	120,548	4,516,345
Contributions by minority shareholders		–	–	–	–	–	–	–	1,000	1,000
Dividends declared by non-wholly owned subsidiaries to minority shareholders		–	–	–	–	–	–	–	(50,000)	(50,000)
Dividends approved in respect of the previous year	37(b)	–	–	–	–	–	(529,930)	(529,930)	–	(529,930)
Additional appropriations to reserves due to partial disposal of a subsidiary	37(d)(iii)	–	–	–	360	–	(360)	–	–	–
Appropriations to reserves for current year profit	37(d)(iii)	–	–	–	287,140	–	(287,140)	–	–	–
Balance at 31 December 2009		1,766,434	13,776,659	38,727	759,006	877,641	11,068,873	28,287,340	537,395	28,824,735

The notes on pages 106 to 222 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2009
(Expressed in Renminbi Yuan)

	Note	2009 RMB'000	2009 RMB'000	2008 RMB'000	2008 RMB'000
Operating activities					
Cash generated from operations	28(b)	**7,852,398**		5,956,888	
– Income tax paid		**(823,048)**		(690,515)	
– Interest paid		**(513,873)**		(913,603)	
Net cash generated from operating activities			**6,515,477**		4,352,770
Investing activities					
Payment for the purchase of property, plant and equipment		**(7,628,469)**		(4,835,511)	
Proceeds from disposal of property, plant and equipment		**17,490**		34,338	
Payment for the purchase of interest in leasehold land held for own use under operating leases		**(182,948)**		(280,831)	
Payment for the purchase of intangible assets		**(190,825)**		(36,164)	
Payment for purchase of trading securities		**(3,155)**		(41,771)	
Proceeds from sale of trading securities		**3,501**		53,973	
Payment for purchase of held-to-maturity investments		**–**		(1,500,000)	
Proceeds from held-to-maturity investments		**–**		1,500,000	
Payment for purchase of available-for-sale equity securities		**(27,501)**		(1,386,171)	
Proceeds from sale of available-for-sale equity securities		**73,709**		302,565	
New advances to government		**(35,128)**		(46,841)	
Repayment of advances from government		**64,306**		12,417	
Interest received		**97,898**		72,862	
Payment for the acquisition of interest in jointly controlled entities		**(80,000)**		(160,000)	
Partial disposal of a subsidiary, net of cash disposed of	28(c)	**70,013**		–	
Payment for acquisition of minority interests		**–**		(10,709)	
Dividends received from an associate		**4,000**		4,000	
Dividends received from available-for-sale equity securities		**9,966**		–	
Increase in restricted cash deposits		**(6,010)**		(42,176)	
Net cash used in investing activities			**(7,813,153)**		(6,360,019)

Consolidated cash flow statement (continued)

for the year ended 31 December 2009
(Expressed in Renminbi Yuan)

	Note	2009 RMB'000	2009 RMB'000	2008 RMB'000	2008 RMB'000
Financing activities					
Proceeds from new shares issued		**–**		11,282,057	
Capital contributions paid by a minority shareholder		**1,000**		–	
Proceeds from new bank loans and other borrowings		**3,928,626**		5,098,414	
Repayment of bank loans and other borrowings		**(5,180,355)**		(9,029,443)	
Dividends paid to minority shareholders of non-wholly owned subsidiaries		**(100,000)**		(4,275)	
Dividends paid to equity shareholders of the Company	37(b)	**(529,930)**		–	
Net cash (used in)/generated from financing activities			**(1,880,659)**		7,346,753
Net (decrease)/increase in cash and cash equivalents			**(3,178,335)**		5,339,504
Cash and cash equivalents at 1 January	28(a)		**6,751,211**		1,411,707
Cash and cash equivalents at 31 December	28(a)		**3,572,876**		6,751,211

The notes on pages 106 to 222 form part of these financial statements.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1 GENERAL INFORMATION

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2010.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries and the Group's interest in associates and jointly controlled entities.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 45.

(c) Subsidiaries and minority interests

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and minority interests (continued)

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

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

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

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

Loans from holders of minority interests and other contractual obligation towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 2(p) or 2(q) depending on the nature of the liability.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and minority interests (continued)

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

(d) Associates and jointly controlled entities

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates and jointly controlled entities (continued)

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

(e) Goodwill

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating units, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(m)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 2(m)).

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

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

(f) Other investments in debt and equity securities

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other investments in debt and equity securities (continued)

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

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

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

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(v)(ii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(v)(iii). When these investments are derecognised or impaired (see note 2(m)), the cumulative gain or loss is reclassified from equity to profit or loss.

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

(g) Derivative financial instruments

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(i) Property, plant and equipment

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

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

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

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

–	Buildings	30 years
–	Plant and machinery	15 years
–	Office and other equipment	5 years
–	Vehicles	5-10 years

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Construction-in-progress

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

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

(k) Intangible assets (other than goodwill)

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

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

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

Both the period and method of amortisation are reviewed annually.

(l) Operating lease charges

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets

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

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- For investments in associates and jointly controlled entities recognised using the equity method (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(m)(ii).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

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

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

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

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

(ii) Impairment of other assets

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

– property, plant and equipment;

– construction-in-progress;

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

– intangible assets;

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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

- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(n) Inventories

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Inventories (continued)

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

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

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

(o) Trade and other receivables

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

(p) Interest-bearing borrowings

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

(q) Trade and other payables

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Cash and cash equivalents

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

(s) Employee benefits

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

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

(t) Income tax

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

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

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

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

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

  - the same taxable entity; or

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

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Financial guarantees issued (continued)

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

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

(ii) Contingent liabilities acquired in business combinations

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

(iii) Other provisions and contingent liabilities

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(iii) Other provisions and contingent liabilities (continued)

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

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

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

(ii) Dividends

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

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

(iii) Interest income

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue recognition (continued)

(iv) Government grants

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

(w) Repairs and maintenance

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

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

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

(y) Borrowing costs

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Non-current assets held for sale

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

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

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

(aa) Related parties

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Related parties (continued)

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

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

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

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

(bb) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued one new IFRS, a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, Operating segments
- IAS 1 (revised 2007), Presentation of financial statements
- Amendments to IFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- Improvements to IFRSs (2008)

- Amendments to IAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate

- IAS 23 (revised 2007), Borrowing costs

The amendment to IAS 23 has had no material impact on the Group's financial statements as the amendment was consistent with the policy already adopted by the Group. The impact of the remainder of these developments is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 13). Corresponding amounts have also been provided on a basis consistent with the revised segment information.

- As a result of the adoption of IAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- As a result of the adoption of the amendments to IFRS 7, the financial statements include expanded disclosures in note 38(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. Corresponding amounts have also been categorised on a basis consistent with the revised three-level fair value hierarchy.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:

  – As a result of amendments to IAS 28, Investments in associates, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

- The amendments to IAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre– or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

4 REVENUE

The principal activities of the Group are manufacture and sales of clinkers and cement products.

Turnover represents the sales value of goods supplied to customers, net of value-added tax and surcharges, and service income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2009 **RMB'000**	2008 RMB'000
Sales of clinkers and cement products	**24,683,638**	23,926,991
Sales of materials and other products	**201,715**	215,825
Service income	**112,654**	85,452
	24,998,007	24,228,268

5 OTHER REVENUE AND NET (LOSS)/INCOME

	2009 **RMB'000**	2008 RMB'000
Other revenue		
Interest income from held-to-maturity unlisted investments	**–**	8,325
Other interest income	**97,898**	64,537
Total interest income on financial assets not at fair value through profit or loss	**97,898**	72,862
Dividend income from available-for-sale equity securities	**9,966**	–
Subsidy income	**246,247**	251,441
	354,111	324,303

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

5 OTHER REVENUE AND NET (LOSS)/INCOME (CONTINUED)

	Note	2009 RMB'000	2008 RMB'000
Other net (loss)/income			
Net (loss)/gain on disposal of fixed assets		**(34,043)**	3,682
Net realised gain on trading securities		**346**	12,202
Reclassification from equity on disposal of available-for-sale equity securities	11(b)	**6,035**	32,352
Net loss on disposal of other investments in equity securities		**(10)**	–
Net gain on partial disposal of a subsidiary	17	**889**	–
Net exchange (loss)/gain		**(67)**	9,001
Others		**4,184**	3,482
		(22,666)	60,719

6 PROFIT BEFORE TAXATION

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

	2009 RMB'000	2008 RMB'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	**430,471**	775,269
Interest on bank advances and other borrowings wholly repayable after five years	**68,129**	79,892
Interest on discount of notes receivable	**7,934**	58,391
Total interest expense on financial liabilities not at fair value through profit or loss	**506,534**	913,552
Less: Interest expense capitalised into construction-in-progress*	**(55,389)**	(92,794)
	451,145	820,758

* The borrowing costs have been capitalised at rates of 4.69%~6.80% (2008: 4.86%~7.04%) per annum.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

6 PROFIT BEFORE TAXATION (CONTINUED)

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

	2009 RMB'000	2008 RMB'000
(b) Staff costs		
Contributions to defined contribution retirement plans	**128,526**	98,065
Salaries, wages and other benefits	**945,078**	762,216
	1,073,604	860,281

	Note	2009 RMB'000	2008 RMB'000
(c) Other items			
Recognition of deferred income in respect of government grant received	36	**(28,457)**	(19,501)
Amortisation			
– interest in leasehold land held for own use under operating leases	14(a)	**27,919**	24,556
– intangible assets	15(a)	**15,375**	12,966
Depreciation	14(a)	**1,604,890**	1,402,632
Impairment losses/(reversal of impairment losses)			
– trade receivables	24(b)	**(378)**	(1,160)
– prepayments and other receivables		**2,608**	183
Auditors' remuneration			
– audit services		**4,220**	4,230
– other services		**30**	20

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2009 RMB'000	2008 RMB'000
Current tax-PRC Corporate Income Tax		
Provision for the year	**869,422**	568,194
Under-provision in respect of prior years	**14,601**	12,638
	884,023	580,832
Deferred tax		
Origination and reversal of temporary differences	**(2,011)**	10,248
	882,012	591,080

No provision for Hong Kong Profits Tax is made for 2008 and 2009 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 Corporate Income Tax at 25% (2008: 25%) 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)	20%
Shanghai Mingzhu Conch Cement Co., Ltd 上海海螺明珠水泥有限責任公司 (Note i)	20%
Shanghai Conch Construction Material International Trading Co., Ltd. 上海海螺建材國際貿易有限公司 (Note i)	20%
Xing'an Conch Cement Co., Ltd. 興安海螺水泥有限責任公司 (Note ii)	15%
Prosperity Conch Cement Co., Ltd. 英德海螺水泥有限責任公司 (Note iii)	12.5%
Xinye Kuiyang Conch Cement Co., Ltd. 興業葵陽海螺水泥有限責任公司 (Note iv)	0%
Fusui Xinning Conch Cement Co., Ltd. 扶綏新寧海螺水泥有限責任公司 (Note v)	0%
Beiliu Conch Cement Co., Ltd. 北流海螺水泥有限責任公司 (Note vi)	0%

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

Notes:

(i) Starting from 2008, Shanghai Conch Cement Sales Co., Ltd., Shanghai Mingzhu Conch Cement Co., Ltd. and Shanghai Conch Construction Material International Trading Co., Ltd., have five years to transit to the 25% statutory Corporate 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 Corporate Income Tax rate applicable to these subsidiaries in 2009 is therefore 20% (2008: 18%).

(ii) In 2009, Xing'an Conch Cement Co., Ltd. was recognised by the local tax authorities as a domestic enterprise located in mid-west China with over 70% revenue from operations in encouraged industries as defined by relevant authorities. According to circular Cai Shui (2001) 202, Xing'an Conch Cement Co., Ltd. is entitled to a reduced Corporate Income Tax rate of 15% until the end of 2010. The applicable Corporate Income Tax rate in 2009 is therefore 15%.

(iii) 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 Corporate Income Tax exemption for the first two profitable years and a 50% reduction of Corporate Income Tax for subsequent three years. 2009 is the fourth profitable year of Prosperity Conch Cement Co., Ltd. The applicable Corporate Income Tax rate in 2009 is therefore 12.5%.

(iv) 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 Corporate Income Tax exemption for the five years ending 31 December 2010. The applicable Corporate Income Tax rate in 2009 is therefore 0%.

(v) 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 Corporate Income Tax exemption for the five years ending 31 December 2009. The applicable Corporate Income Tax rate in 2009 is therefore 0%.

(vi) 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 Corporate Income Tax exemption for the five years ending 31 December 2011. The applicable Corporate Income Tax rate in 2009 is therefore 0%.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

	2009 **RMB'000**	2008 RMB'000
Profit before taxation	**4,508,496**	3,269,087
Notional tax on profit before taxation calculated at 25% (2008: 25%)	**1,127,124**	817,272
Tax effect of tax exemption enjoyed by subsidiaries	**(168,704)**	(106,969)
Tax effect of different tax rates applicable to subsidiaries	**(99,246)**	(40,784)
Tax effect of non-deductible expenses	**8,385**	4,460
Tax effect of non-taxable income	**(11,310)**	(6,836)
Tax effect of unused tax losses not recognised	**1,502**	2,341
Income tax credits relating to subsidiaries	**9,660**	(91,042)
Under-provision in respect of prior years	**14,601**	12,638
Actual tax expense	**882,012**	591,080

8 DIRECTORS' REMUNERATION

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

	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement plan contributions RMB'000	2009 Total RMB'000
Chairman					
Guo Wensan*	–	–	–	–	–
Executive directors					
Ji Qinying (appointed on 23 December 2009)	–	21	304	3	328
Qi Shengli (appointed on 23 December 2009)	–	102	681	15	798
Guo Jingbin*	–	–	–	–	–
Wu Jianping* (appointed on 23 December 2009)	–	–	–	–	–
Ren Yong (resigned on 23 December 2009)	–	70	–	9	79
Yu Biao* (resigned on 23 December 2009)	–	–	–	–	–
Li Shunan* (resigned on 23 December 2009)	–	–	–	–	–
Independent non-executive directors					
Kang Woon	–	100	–	–	100
Ding Meicai*	–	–	–	–	–
Chan Yuk Tong	–	100	–	–	100
Supervisors					
Wang Jun*	–	–	–	–	–
Wang Yanmou	–	50	–	–	50
Ding Feng	–	114	276	14	404
	–	557	1,261	41	1,859

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

8 DIRECTORS' REMUNERATION (CONTINUED)

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

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

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2008: nil) is a director whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other four (2008: five) individuals are as follows:

	2009 RMB'000	2008 RMB'000
Salaries and other emoluments	**435**	492
Discretionary bonuses	**2,466**	4,902
Retirement plan contributions	**58**	60
	2,959	5,454

The emoluments of the four (2008: five) individuals with the highest emoluments are within the following bands:

	2009 Number of individuals	2008 Number of individuals
Nil – RMB880,480 (equivalent to HK$1,000,000)	**4**	–
RMB880,481 (equivalent to HK$1,000,001) – RMB1,320,720 (equivalent to HK$1,500,000)	**–**	5

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB203,216,000 (2008: RMB256,301,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2009 **RMB'000**	2008 RMB'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**203,216**	256,301
Final dividends from subsidiaries and associates attributable to the profits of the previous financial year, approved and paid during the year:		
– From subsidiaries	**2,655,130**	152,825
– From an associate	**4,000**	4,000
– Gain on the reorganisation of a subsidiary into a branch of the Company	**–**	871,824
The Company's profit for the year (note 37(a))	**2,862,346**	1,284,950

Details of dividends paid and payable to equity shareholders of the Company are set out in note 37(b).

(Expressed in Renminbi Yuan unless otherwise indicated)

11 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	2009			2008		
	Before-tax amount RMB'000	**Tax (expense) /benefit RMB'000**	**Net-of-tax amount RMB'000**	Before-tax amount RMB'000	Tax (expense) /benefit RMB'000	Net-of-tax amount RMB'000
Available-for-sale equity securities: net movement in fair value reserve	**1,182,408**	**(292,547)**	**889,861**	(241,102)	–	(241,102)
Other comprehensive income	**1,182,408**	**(292,547)**	**889,861**	(241,102)	–	(241,102)

(b) Reclassification adjustments relating to components of other comprehensive income

	2009 RMB'000	2008 RMB'000
Available-for-sale equity securities		
Changes in fair value recognised during the year	**1,188,443**	(208,750)
Net deferred tax charged to comprehensive income	**(292,547)**	–
Reclassification adjustments for amounts transferred to profit or loss due to disposal	**(6,035)**	(32,352)
Net movement in the fair value reserve during the year recognised in other comprehensive income	**889,861**	(241,102)

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the year ended 31 December 2009 of RMB3,505,936,000 (2008: RMB2,607,223,000) and the weighted average number of shares in issue during the year ended 31 December 2009 of 1,766,434,000 (2008: 1,683,101,000).

Weighted average number of ordinary shares

	2009 **thousand**	2008 thousand
Issued ordinary shares at 1 January	**1,766,434**	1,566,434
Shares issued in May 2008 (weighted average)	**–**	116,667
Weighted average number of ordinary shares at 31 December	**1,766,434**	1,683,101

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the years ended 31 December 2009 and 2008.

13 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments based on the region in which the Group's business operates: East China, Central China, South China and West China. All segments are primarily engaged in manufacture and sale of clinkers and cement products. No operating segments have been aggregated to form the reportable segments.

13 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets in the financial statements prepared in accordance with China Accounting Standards for Business Enterprises (2006) ("PRC accounting standards"). Segment liabilities include all liabilities in the financial statements prepared in accordance with PRC accounting standards.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments in accordance with PRC accounting standards.

The measure used for reporting segment profit is profit before taxation in accordance with PRC accounting standards.

In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue (including inter segment revenue), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment revenue is priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2009 and 2008 is set out below:

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

13 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (continued)

For the year ended 31 December 2009

	East China RMB'000	Central China RMB'000	South China RMB'000	West China RMB'000	Subtotal RMB'000	Reconciling items (note b) RMB'000	Total RMB'000
Revenue from external customers	8,129,179	11,211,777	5,633,926	23,125	24,998,007	-	24,998,007
Inter-segment revenue	1,104,879	4,623,751	82,670	-	5,811,300	(5,811,300)	-
Reportable segment revenue	9,234,058	15,835,528	5,716,596	23,125	30,809,307	(5,811,300)	24,998,007
Reportable segment profit (Profit before taxation)	415,274	4,066,957	1,466,224	(4,745)	5,943,710	(1,435,214)	4,508,496
Interest income	4,838	89,911	3,141	8	97,898	-	97,898
Interest expense	(20,806)	(371,045)	(59,294)	-	(451,145)	-	(451,145)
Depreciation and amortisation for the year	(259,574)	(1,090,577)	(287,605)	(14,266)	(1,652,022)	-	(1,652,022)
Reportable segment assets (including investment in associates and joint ventures)	6,938,340	37,286,933	8,279,154	4,237,421	56,741,848	(9,737,897)	47,003,951
Additions to non-current segment assets during the year	821,235	3,156,182	1,366,923	3,446,430	8,790,770	-	8,790,770
Reportable segment liabilities	3,479,855	11,686,051	2,678,695	1,513,400	19,358,001	(1,178,785)	18,179,216

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

13 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (continued)

For the year ended 31 December 2008

	East China RMB'000	Central China RMB'000	South China RMB'000	West China RMB'000	Subtotal RMB'000	Reconciling items (note b) RMB'000	Total RMB'000
Revenue from external customers	8,263,977	11,154,290	4,810,001	–	24,228,268	–	24,228,268
Inter-segment revenue	1,060,656	5,014,937	69,404	–	6,144,997	(6,144,997)	–
Reportable segment revenue	9,324,633	16,169,227	4,879,405	–	30,373,265	(6,144,997)	24,228,268
Reportable segment profit (Profit before taxation)	316,160	2,190,868	878,474	(3,201)	3,382,301	(113,214)	3,269,087
Interest income	6,519	55,214	2,789	15	64,537	–	64,537
Interest expense	(92,148)	(607,206)	(121,404)	–	(820,758)	–	(820,758)
Depreciation and amortisation for the year	(244,380)	(958,550)	(239,945)	(1,117)	(1,443,992)	–	(1,443,992)
Reportable segment assets (including investment in associates and joint ventures)	6,752,066	35,031,185	6,606,503	733,640	49,123,394	(6,739,658)	42,383,736
Additions to non-current segment assets during the year	529,306	3,358,957	1,111,552	369,122	5,368,937	–	5,368,937
Reportable segment liabilities	4,222,065	12,589,257	3,073,104	26,052	19,910,478	(2,414,062)	17,496,416

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

13 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2009 RMB'000	2008 RMB'000
Revenue		
Elimination of inter-segment revenue	**(5,811,300)**	(6,144,997)
Profit		
Elimination of inter-segment profits	**(1,467,167)**	(136,552)
Differences between		
PRC accounting standards and IFRS*		
– item (1)	**3,838**	3,838
– item (2)	**28,115**	19,500
	(1,435,214)	(113,214)

	2009 RMB'000	2008 RMB'000
Assets		
Elimination of inter-segment balances	**(9,593,348)**	(6,591,271)
Differences between		
PRC accounting standards and IFRS*		
– item (1)	**(144,549)**	(148,387)
	(9,737,897)	(6,739,658)
Liabilities		
Elimination of inter-segment balances	**(1,512,384)**	(2,646,562)
Differences between		
PRC accounting standards and IFRS*		
– item (2)	**333,599**	232,500
	(1,178,785)	(2,414,062)

13 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (continued)

* Differences between PRC accounting standards and IFRS:

– item (1): The difference arises from the revaluation of interests in leasehold land held for own use under operating leases.

– item (2): The difference arises from the deferred income in respect of the government grants recognised under IFRS.

(c) Geographic information

The following table sets out information about the geographic location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets, goodwill, interests in associates and jointly controlled entities and other investments in equity securities ("specified non-current assets"). The geographical location of customers is based on the location, at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates and jointly controlled entities and other investments in equity securities.

	Revenue from external customers		**Specified non-current assets**	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
The PRC	**23,542,603**	21,531,460	**33,958,991**	27,017,810
Others	**1,455,404**	2,696,808	**–**	–
	24,998,007	24,228,268	**33,958,991**	27,017,810

The Group's customer base is diversified and there is no single customer with whom transactions have exceeded 10% of the Group's revenue.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

14 FIXED ASSETS

(a) The Group

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction-in-progress RMB'000	Sub-total RMB'000	Interest in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
At 1 January 2008	9,077,728	14,478,680	401,304	494,552	2,609,737	27,062,001	1,122,209	28,184,210
Additions	106,206	215,360	14,423	88,613	4,705,666	5,130,268	288,831	5,419,099
Transfer from construction-in-progress	1,652,483	2,895,780	12,942	22,404	(4,583,609)	-	-	-
Disposals	(25,444)	(28,400)	(1,255)	(21,199)	-	(76,298)	-	(76,298)
At 31 December 2008	10,810,973	17,561,420	427,414	584,370	2,731,794	32,115,971	1,411,040	33,527,011
At 1 January 2009	10,810,973	17,561,420	427,414	584,370	2,731,794	32,115,971	1,411,040	33,527,011
Additions	43,515	356,224	9,820	96,924	7,573,153	8,079,636	274,598	8,354,234
Transfer from construction-in-progress	1,807,583	2,569,921	9,685	-	(4,387,189)	-	-	-
Transfer out due to partial disposal of a subsidiary	(33,893)	(31,260)	(490)	(1,369)	(742)	(67,754)	(53,362)	(121,116)
Disposals	(43,333)	(33,192)	(1,513)	(6,869)	-	(84,907)	-	(84,907)
At 31 December 2009	12,584,845	20,423,113	444,916	673,056	5,917,016	40,042,946	1,632,276	41,675,222
Accumulated depreciation and impairment:								
At 1 January 2008	1,311,652	3,720,922	285,205	274,307	-	5,592,086	122,832	5,714,918
Charge for the year	308,683	970,903	53,855	69,191	-	1,402,632	24,556	1,427,188
Written back on disposals	(4,038)	(21,428)	(1,190)	(18,986)	-	(45,642)	-	(45,642)
At 31 December 2008	1,616,297	4,670,397	337,870	324,512	-	6,949,076	147,388	7,096,464
At 1 January 2009	1,616,297	4,670,397	337,870	324,512	-	6,949,076	147,388	7,096,464
Charge for the year	364,866	1,120,187	31,810	88,027	-	1,604,890	27,919	1,632,809
Transfer out due to partial disposal of a subsidiary	(1,424)	(2,432)	(93)	(133)	-	(4,082)	(1,690)	(5,772)
Written back on disposals	(5,170)	(20,350)	(1,347)	(6,507)	-	(33,374)	-	(33,374)
At 31 December 2009	1,974,569	5,767,802	368,240	405,899	-	8,516,510	173,617	8,690,127
Net book value:								
At 31 December 2009	10,610,276	14,655,311	76,676	267,157	5,917,016	31,526,436	1,458,659	32,985,095
At 31 December 2008	9,194,676	12,891,023	89,544	259,858	2,731,794	25,166,895	1,263,652	26,430,547

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

14 FIXED ASSETS (CONTINUED)

(a) The Group (continued)

(i) Following the directors' review of internal and external information as at 31 December 2009, no impairment loss (2008: nil) was recognised by the Group for the year then ended.

(ii) As at 31 December 2009, the carrying amount of interest in leasehold land held for own use under operating leases and property, plant and equipment pledged as security against the Group's non-current borrowings of RMB650,000,000 (2008: RMB650,000,000) amounted to approximately RMB572,605,000 (2008: RMB644,616,000).

(iii) As at 31 December 2009, application for the registration of interest in leasehold land acquired for own use under operating leases with cost of approximately RMB148,745,000 (2008: RMB74,921,000) was still in progress.

(b) The Company

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction-in-progress RMB'000	Sub-total RMB'000	Interest in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
At 1 January 2008	334,767	652,740	6,885	32,031	74,935	1,101,358	59,227	1,160,585
Transfer from reorganisation of a subsidiary into a branch of the Company	165,833	303,661	3,301	3,025	-	475,820	-	475,820
Additions	368	1,755	351	1,389	10,310	14,173	-	14,173
Transfer from construction-in-progress	6,316	55,740	-	-	(62,056)	-	-	-
Disposals	(1,524)	(13,634)	(250)	(7,826)	-	(23,234)	-	(23,234)
At 31 December 2008	505,760	1,000,262	10,287	28,619	23,189	1,568,117	59,227	1,627,344
At 1 January 2009	505,760	1,000,262	10,287	28,619	23,189	1,568,117	59,227	1,627,344
Additions	13,918	-	520	768	394	15,600	-	15,600
Transfer from construction-in-progress	137	1,143	223	-	(1,503)	-	-	-
Disposals	-	(8,170)	(5)	(563)	-	(8,738)	-	(8,738)
At 31 December 2009	519,815	993,235	11,025	28,824	22,080	1,574,979	59,227	1,634,206

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

14 FIXED ASSETS (CONTINUED)

(b) The Company (continued)

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction-in-progress RMB'000	Sub-total RMB'000	Interest in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Accumulated depreciation and impairment:								
At 1 January 2008	126,019	303,202	5,847	25,186	-	460,254	4,815	465,069
Charge for the year	20,080	54,658	571	2,644	-	77,953	1,194	79,147
Written back on disposals	(1,231)	(11,084)	(241)	(7,623)	-	(20,179)	-	(20,179)
At 31 December 2008	144,868	346,776	6,177	20,207	-	518,028	6,009	524,037
At 1 January 2009	144,868	346,776	6,177	20,207	-	518,028	6,009	524,037
Charge for the year	18,496	62,265	2,861	1,820	-	85,442	1,194	86,636
Written back on disposals	-	(3)	(5)	(499)	-	(507)	-	(507)
At 31 December 2009	163,364	409,038	9,033	21,528	-	602,963	7,203	610,166
Net book value:								
At 31 December 2009	356,451	584,197	1,992	7,296	22,080	972,016	52,024	1,024,040
At 31 December 2008	360,892	653,486	4,110	8,412	23,189	1,050,089	53,218	1,103,307

(i) Following the directors' review of internal and external information as at 31 December 2009, no impairment loss (2008: nil) was recognised by the Company for the year then ended.

(ii) As at 31 December 2009, the carrying amount of leasehold land held for own use under operating leases and property, plant and equipment pledged as security against the Company's non-current borrowings of RMB650,000,000 (2008: RMB650,000,000) amounted to approximately RMB572,605,000 (2008: RMB644,616,000).

(Expressed in Renminbi Yuan unless otherwise indicated)

15 INTANGIBLE ASSETS

(a) The Group

	Limestone mining rights RMB'000	Clay mining rights RMB'000	Others (note) RMB'000	Total RMB'000
Cost:				
At 1 January 2008	269,008	18,341	1,525	288,874
Additions	28,541	1,000	108	29,649
At 31 December 2008	297,549	19,341	1,633	318,523
At 1 January 2009	297,549	19,341	1,633	318,523
Additions	243,328	237	23	243,588
At 31 December 2009	540,877	19,578	1,656	562,111
Accumulated amortisation:				
At 1 January 2008	53,962	2,826	566	57,354
Charge for the year	12,373	475	118	12,966
At 31 December 2008	66,335	3,301	684	70,320
At 1 January 2009	66,335	3,301	684	70,320
Charge for the year	14,676	631	68	15,375
At 31 December 2009	81,011	3,932	752	85,695
Net book value:				
At 31 December 2009	459,866	15,646	904	476,416
At 31 December 2008	231,214	16,040	949	248,203

Note: Others mainly represented the acquisition cost for the rights of the increased electricity capacities.

15 INTANGIBLE ASSETS (CONTINUED)

(a) The Group (continued)

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

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

As at 31 December 2009, application for the registration of limestone mining rights with cost of approximately RMB239,221,000 (2008: RMB38,102,000) was still in progress.

As at 31 December 2008, application for the registration of clay mining rights with cost of approximately RMB1,700,000 was in progress. This was subsequently approved during the year. As at 31 December 2009, all clay mining rights have been registered.

(b) The Company

	Limestone mining rights RMB'000
Cost:	
At 1 January 2008	10,627
Transfer from reorganisation of a subsidiary to a branch	14,289
At 31 December 2008	24,916
At 1 January 2009	24,916
Additions	2,600
At 31 December 2009	27,516

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

15 INTANGIBLE ASSETS (CONTINUED)

(b) The Company (continued)

Accumulated amortisation:

	Limestone mining rights RMB'000
At 1 January 2008	5,384
Charge for the year	1,669
At 31 December 2008	7,053
At 1 January 2009	7,053
Charge for the year	2,049
At 31 December 2009	9,102
Net book value:	
At 31 December 2009	18,414
At 31 December 2008	17,863

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

16 GOODWILL

	The Group	
	2009 **RMB'000**	2008 RMB'000
Carrying amount:		
At 1 January and 31 December	**16,120**	16,120

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

16 GOODWILL (CONTINUED)

Impairment tests for cash-generating units containing goodwill

As set out in IAS 36 Impairment of assets, cash generating units are the smallest identifiable group of assets that generate cash inflows from continuing use that are largely independent of the cash flows from other assets. For the purpose of impairment testing of goodwill, goodwill is allocated to a group of cash-generating units (being subsidiaries acquired in each acquisition). Such group of cash-generating units represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and also is within the segment determined in accordance with IFRS 8 Operating Segments.

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

17 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009	2008
	RMB'000	RMB'000
Unlisted shares, at cost	**26,488,936**	14,290,878
Less: impairment	**(47,500)**	(47,500)
	26,441,436	14,243,378

In 2009, the Company (as vendor) and Kawasaki Plant System Ltd. (as purchaser) entered into a sale and purchase agreement pursuant to which both parties agreed to transfer the 50% equity interests in Anhui Conch Machinery & Electric Co., Ltd. ("Conch Machinery"), a previously wholly owned subsidiary of the Company. On 28 July 2009, the transfer was approved by the relevant government authorities. Conch Machinery was renamed as Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. ("Conch Kawasaki Equipment") and became a jointly controlled entity of the Company (see notes 19 and 28(c)).

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The particulars of subsidiaries, all of which are either limited liability companies or joint stock limited companies established and operating in the PRC, at 31 December 2009 are as follows (Unites States dollars referred to as "USD"):

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Ningbo Conch Cement Co., Ltd. ("Ningbo Conch") 寧波海螺水泥有限公司	RMB 171,000,000	75%	75%	–	Manufacture and sale of clinker and cement products
Anhui Conch Cement Product Co., Ltd. ("Conch Plant") 安徽海螺水泥有限公司	USD 29,980,000	75%	75%	–	Manufacture and sale of clinker and cement products
Shanghai Mingzhu Conch Cement Co., Ltd. ("Mingzhu Conch") 上海海螺明珠水泥有限責任公司	RMB 13,710,000	94.2%	76.2%	18%	Manufacture and sale of clinker and cement products
Anhui Tongling Conch Cement Co., Ltd. ("Tongling Conch") 安徽銅陵海螺水泥有限公司	RMB 742,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Anhui Changfeng Conch Cement Co., Ltd. ("Changfeng Conch") 安徽長豐海螺水泥有限公司	RMB 10,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Zhangjiagang Conch Cement Co., Ltd. ("Zhangjiagang Conch") 張家港海螺水泥有限公司	RMB 35,000,000	98.71%	98.71%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Shanghai Conch Cement Co., Ltd. ("Shanghai Conch") 上海海螺水泥有限責任公司	RMB 60,000,000	75%	75%	–	Manufacture and sale of clinker and cement products
Nanjing Conch Cement Co., Ltd. ("Nanjing Conch") 南京海螺水泥有限公司	RMB 15,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Nantong Conch Cement Co., Ltd. ("Nantong Conch") 南通海螺水泥有限責任公司	RMB 15,000,000	100%	99%	1%	Manufacture and sale of clinker and cement products
Shanghai Conch Cement Sales Co., Ltd. ("Shanghai Sales") 上海海螺水泥銷售有限公司	RMB 5,000,000	100%	100%	–	Sale of clinker and and sale of cement products
Anhui Digang Conch Cement Co., Ltd. ("Digang Conch") 安徽荻港海螺水泥股份有限公司	RMB 590,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jianyang Conch Cement Co., Ltd. ("Jianyang Conch") 福建省建陽海螺水泥有限責任公司	RMB 14,000,000	76%	76%	–	Manufacture and sale of clinker and cement products
Anhui Zongyang Conch Cement Co., Ltd. ("Zongyang Conch") 安徽樅陽海螺水泥股份有限公司	RMB 410,000,000	100%	99%	1%	Manufacture and sale of clinker and cement products

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Anhui Chizhou Conch Cement Co., Ltd. ("Chizhou Conch") 安徽池州海螺水泥股份有限公司	RMB 950,000,000	100%	100%	–	Manufacture and sale of clinker products
Taizhou Conch Cement Co., Ltd. ("Taizhou Conch") 泰州海螺水泥有限責任公司	RMB 11,520,000	93.75%	93.75%	–	Manufacture and sale of clinker and cement products
Bengbu Conch Cement Co., Ltd. ("Bengbu Conch") 蚌埠海螺水泥有限責任公司	RMB 54,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Wenzhou Conch Cement Co., Ltd. ("Wenzhou Conch") 溫州海螺水泥有限公司	RMB 50,000,000	100%	95%	5%	Inactive
Fenyi Conch Cement Co., Ltd. ("Fenyi Conch") 分宜海螺水泥有限責任公司	RMB 110,000,000	100%	95%	5%	Manufacture and sale of clinker and cement products
Shangyu Conch Cement Co., Ltd. ("Shangyu Conch") 上虞海螺水泥有限責任公司	RMB 16,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Jiande Conch Cement Co., Ltd. ("Jiande Conch") 建德海螺水泥有限責任公司	RMB 200,000,000	100%	98%	2%	Manufacture and sale of clinker and cement products

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Jiangxi Lushan Conch Cement Co., Ltd. ("Lushan Conch") 江西盧山海螺水泥有限公司	RMB 31,420,000	100%	99%	1%	Manufacture and sale of clinker and cement products
Taizhou Yangwan Conch Cement Co., Ltd. ("Yangwan Conch") 泰州楊灣海螺水泥有限責任公司	RMB 170,000,000	100%	95%	5%	Manufacture and sale of clinker and cement products
Nanchang Conch Cement Co., Ltd. ("Nanchang Conch") 南昌海螺水泥有限責任公司	RMB 20,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Anhui Huaining Conch Cement Co., Ltd. ("Huaining Conch") 安徽懷寧海螺水泥有限公司	RMB 273,250,000	100%	92%	8%	Manufacture and sale of clinker and cement products
Zhongguo Cement Co., Ltd. ("Zhongguo Plant") 中國水泥廠有限公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Huai'an Conch Cement Co., Ltd. ("Huai'an Conch") 淮安海螺水泥有限責任公司	RMB 20,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Taicang Conch Cement Co., Ltd. ("Taicang Conch") 太倉海螺水泥有限責任公司	RMB 20,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Taizhou Conch Cement Co., Ltd. ("Taizhou Conch") 台州海螺水泥有限公司	RMB 20,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Haimen Conch Cement Co., Ltd. ("Haimen Conch") 海門海螺水泥有限責任公司	RMB 50,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Jiangmen Conch Cement Co., Ltd. ("Jiangmen Conch") 江門海螺水泥有限公司	RMB 50,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Ma'anshan Conch Cement Co., Ltd. ("Ma'anshan Conch") 馬鞍山海螺水泥有限責任公司	RMB 50,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Jiangsu Baling Conch Cement Co., Ltd. ("Baling Conch") 江蘇八菱海螺水泥有限公司	RMB 32,960,000	75%	75%	–	Manufacture and sale of clinker and cement products
Shuangfeng Conch Cement Co., Ltd. ("Shuangfeng Conch") 雙峰海螺水泥有限公司	RMB 492,000,000	100%	84%	16%	Manufacture and sale of clinker and cement products
Anhui Xuancheng Conch Cement Co., Ltd. ("Xuancheng Conch") 安徽宣城海螺水泥有限公司	RMB 406,500,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Wuhu Conch Cement Co., Ltd. ("Wuhu Conch") 蕪湖海螺水泥有限公司	RMB 660,000,000	100%	93%	7%	Manufacture and sale of clinker and cement products
Hunan Conch Cement Co., Ltd. ("Hunan Conch") 湖南海螺水泥有限公司	RMB 400,000,000	100%	99%	1%	Manufacture and sale of clinker and cement products
Prosperity Conch Cement Co., Ltd. ("Prosperity Conch") 英德海螺水泥有限責任公司	RMB 580,000,000	75%	70%	5%	Manufacture and sale of clinker and cement products
Xingye Kuiyang Conch Cement Co., Ltd. ("Kuiyang Conch") 興業葵陽海螺水泥有限責任公司	RMB 200,000,000	100%	70%	30%	Manufacture and sale of clinker and cement products
Fusui Xinning Conch Cement Co., Ltd. ("Xinning Conch") 扶綏新寧海螺水泥有限責任公司	RMB 328,000,000	100%	82%	18%	Manufacture and sale of clinker and cement products
Anhui Wuhu Conch Construction and Installation Co., Ltd. ("Conch Construction") 安徽蕪湖海螺建築安裝工程有限責任公司	RMB 30,000,000	95%	95%	–	Provision of construction and installation services for industrial purposes
Xing'an Conch Cement Co., Ltd. ("Xing'an Conch") 興安海螺水泥有限責任公司	RMB 350,000,000	100%	80%	20%	Manufacture and sale of clinker and cement products

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Ninghai Qiangjiao Conch Cement Co., Ltd. ("Ninghai Conch") 寧海強蛟海螺水泥有限公司	RMB 110,240,000	100%	90%	10%	Manufacture and sale of clinker and cement products and provision of loading services
Beiliu Conch Cement Co., Ltd. ("Beiliu Conch") 北流海螺水泥有限責任公司	RMB 450,000,000	100%	97%	3%	Manufacture and sale of clinker and cement products
Zhanjiang Conch Cement Co., Ltd. ("Zhanjiang Conch") 湛江海螺水泥有限責任公司	RMB 100,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Xiangshan Conch Cement Co., Ltd. ("Xiangshan Conch") 象山海螺水泥有限責任公司	RMB 189,000,000	100%	90%	10%	Manufacture and sale of clinker and cement products
Jiangdu Conch Cement Co., Ltd. ("Jiangdu Conch") 江都海螺水泥有限責任公司	RMB 210,000,000	100%	71%	29%	Manufacture and sale of clinker and cement products
Yiyang Conch Cement Co., Ltd. ("Yiyang Conch") 弋陽海螺水泥有限責任公司	RMB 457,500,000	100%	98%	2%	Manufacture and sale of clinker and cement products

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Shimen Conch Cement Co., Ltd. ("Shimen Conch") 石門海螺水泥有限責任公司	RMB 421,000,000	100%	96%	4%	Manufacture and sale of clinker and cement products
Shanghai Conch Construction Material International Trading Co. Ltd ("Conch International Trading") 上海海螺建材國際貿易有限公司	RMB 10,000,000	100%	100%	–	Export sales of clinker and cement products
Wuhu Conch Plastic Products Co., Ltd. ("Wuhu Plastic") 蕪湖海螺塑料制品有限公司	RMB 30,000,000	100%	100%	–	Manufacture and sale of cement packaging
Anhui Ningchang Plastic Products Co., Ltd. ("Ningchang Plastic") 安徽宁昌塑料包裝有限公司	RMB 53,554,065	100%	100%	–	Manufacture and sale of cement packaging
Shanghai Conch Logistic Co., Ltd. ("Shanghai Logistic") 上海海螺物流有限公司	RMB 10,000,000	100%	10%	90%	Logistic services
Wuhu Conch Logistic Co., Ltd. ("Wuhu Logistic") 蕪湖海螺物流有限公司	RMB 10,000,000	100%	–	100%	Logistic services

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Guangdong Yinglong Conch Logistic Co., Ltd. ("Yinglong Logistic") 廣東英龍海螺物流有限公司	RMB 10,000,000	100%	–	100%	Logistic services
Yingde Conch Plastic Packaging Co., Ltd. ("Yingde Plastic") 英德海螺塑料包裝有限責任公司	RMB 6,000,000	100%	–	100%	Manufacture and sale of cement packaging
Huai'an Chuzhou Conch Cement Co., Ltd. ("Chuzhou Conch") 淮安楚州海螺水泥有限責任公司	RMB 113,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Pingliang Conch Cement Co., Ltd. ("Pingliang Conch") 平涼海螺水泥有限責任公司	RMB 470,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Linxiang Conch Cement Co., Ltd. ("Linxiang Conch") 臨湘海螺水泥有限責任公司	RMB 290,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Leqing Conch Cement Co., Ltd. ("Leqing Conch") 樂清海螺水泥有限責任公司	RMB 150,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Quanjiao Conch Cement Co., Ltd. ("Quanjiao Conch") 全椒海螺水泥有限責任公司	RMB 350,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Ningde Conch Cement Co., Ltd. ("Ningde Conch") 寧德海螺水泥有限責任公司	RMB 150,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guangyuan Conch Cement Co., Ltd. ("Guangyuan Conch") 廣元海螺水泥有限責任公司	RMB 480,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guangdong Qingxin Cement Co., Ltd. ("Qingxin Company") 廣東清新水泥有限公司	RMB 320,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Chongqing Conch Cement Co., Ltd. ("Chongqing Conch") 重慶海螺水泥有限責任公司	RMB 550,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiangxi Ganjiang Conch Cement Co., Ltd. ("Ganjiang Conch") 江西贛江海螺水泥有限責任公司	RMB 113,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Foshan Conch Cement Co., Ltd. ("Foshan Conch") 佛山海螺水泥有限責任公司	RMB 100,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Liu'an Conch Cement Co., Ltd. ("Liu'an Conch") 六安海螺水泥有限責任公司	RMB 89,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Dazhou Conch Cement Co., Ltd. ("Dazhou Conch") 達州海螺水泥有限責任公司	RMB 480,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Liquan Conch Cement Co., Ltd. ("Liquan Conch") 禮泉海螺水泥有限責任公司	RMB 480,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Qianyang Conch Cement Co., Ltd. ("Qianyang Conch") 千陽海螺水泥有限責任公司	RMB 270,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Huainan Conch Cement Co., Ltd. ("Huainan Conch") 淮南海螺水泥有限責任公司	RMB 160,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Yangchun Conch Cement Co., Ltd. ("Yangchun Conch") 陽春海螺水泥有限責任公司	RMB 180,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jining Conch Cement Co., Ltd. ("Jining Conch") 濟寧海螺水泥有限責任公司	RMB 235,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Qiyang Conch Cement Co., Ltd. ("Qiyang Conch") 祁陽海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Hunan Yiyang Conch Cement Co., Ltd. ("Hunan Yiyang Conch") 湖南益陽海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Nantong Jiuweigang Conch Cement Co., Ltd. ("Jiuweigang Conch") 南通九圩港海螺水泥有限責任公司	RMB 100,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INTEREST IN ASSOCIATES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted shares, at cost	**–**	–	**157,429**	157,429
Share of net assets	**159,364**	163,281	**–**	–
	159,364	163,281	**157,429**	157,429

The particulars of the associates, all of which are unlisted and operating in the PRC, at 31 December 2009 are as follows:

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

* These two associates of the Group were in the process of liquidation as at 31 December 2009 and 2008.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INTEREST IN ASSOCIATES (CONTINUED)

Summary financial information on associates – 100 percent

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenue RMB'000	Profit after taxation RMB'000
2009					
King Bridge Cement	**139,718**	**11,257**	**128,461**	**83,931**	**208**
Fusui Conch	**217,508**	**12,901**	**204,607**	**–**	**–**
Xingye Conch	**207,090**	**3,065**	**204,025**	**–**	**–**
2008					
King Bridge Cement	146,210	7,956	138,254	87,742	10,890
Fusui Conch	217,508	12,901	204,607	–	–
Xingye Conch	207,090	3,065	204,025	–	–

19 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Unlisted shares, at cost	**–**	–	**314,000**	160,000
Share of net assets	**321,996**	159,649	**–**	–
	321,996	159,649	**314,000**	160,000

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INTEREST IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

Details of the Group's interests in the jointly controlled entities, all of which are unlisted and operating in the PRC, at 31 December 2009, are as follows:

Name of joint venture	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Guiding Conch Panjiang Cement Co., Ltd. ("Guiding Conch Panjiang") 貴定海螺盤江水泥有限責任公司	RMB 160,000,000	50%	50%	–	Manufacture and sale of clinker and cement products
Guiyang Conch Panjiang Cement Co., Ltd. ("Guiyang Conch Panjiang") 貴陽海螺盤江水泥有限責任公司	RMB 160,000,000	50%	50%	–	Manufacture and sale of clinker and cement products
Zunyi Conch Panjiang Cement Co., Ltd. ("Zunyi Conch Panjiang") 遵義海螺盤江水泥有限責任公司	RMB 160,000,000	50%	50%	–	Manufacture and sale of clinker and cement products
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. 安徽海螺川崎裝備製造有限公司	RMB 148,000,000	50%	50%	–	Provision of installation and repair services of machinery

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INTEREST IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

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

	2009 **RMB'000**	2008 RMB'000
Non-current assets	**519,683**	21,699
Current assets	**212,002**	138,521
Non-current liabilities	**(320,222)**	–
Current liabilities	**(89,467)**	(571)
Net assets	**321,996**	159,649
Income	**33,376**	–
Expenses	**(30,140)**	(351)
Profit/(loss) for the year	**3,236**	(351)
Unrealised profit	**(4,605)**	–
Share of losses of jointly controlled entities	**(1,369)**	(351)

20 LOANS AND RECEIVABLES

	The Group	
	2009 **RMB'000**	2008 RMB'000
Loans and receivables	**344,848**	374,026
Less: Current portion of loans and receivables (note 25)	**(212,986)**	(151,281)
	131,862	222,745

As at 31 December 2009, loans and receivables represented advances made to local government authorities of which RMB329,527,000 (2008: RMB344,026,000) are unsecured, interest bearing at 5.31%~7.56% (2008: 3.36%~7.56%) per annum and repayable in 2010 to 2013. The remaining balance of RMB15,321,000 (2008: RMB30,000,000) is unsecured, interest free and repayable from 2010 to 2012.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

21 OTHER INVESTMENTS IN EQUITY SECURITIES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted equity securities in the PRC	**–**	10	**–**	10

22 AVAILABLE-FOR-SALE EQUITY SECURITIES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Available-for-sale equity securities				
– Listed in the PRC (with trading restrictions)	**302,888**	121,308	**302,888**	121,308
– Listed in the PRC	**2,041,104**	1,080,449	**2,041,104**	1,080,449
	2,343,992	1,201,757	**2,343,992**	1,201,757

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

The total investment cost in Chaodong Company, including transaction costs, of approximately RMB98,019,000 was recognised as available-for-sale equity securities in 2007. According to the Share Segregation Reform Proposal of Chaodong Company which was approved by the shareholders' meeting on 8 May 2007 and implemented on 18 July 2007, the A shares held by the Company represented approximately 16.28% of the total number of shares of Chaodong Company after the Share Segregation Reform.

22 AVAILABLE-FOR-SALE EQUITY SECURITIES (CONTINUED)

At 31 December 2009, in the absence of a quoted market price for these restricted A shares, the fair value of these restricted A shares was determined based on certain valuation techniques. The fair value of these restricted A shares is considered to be lower than the quoted market price of such A shares without the lock-up period restrictions and the impact of the lock-up period is estimated based on an Asian option model. The volatility of the share price is used as an input into the Asian option pricing model. The significant assumptions of the model include expected volatility (expressed as weighted average volatility in the Asian option pricing model) of 35.89% (2008: 79.36%) and risk-free rate of return of 1.38% (2008: 1.10%). The expected volatility is derived from historical volatility based on publicly available information. Changes in the subjective input assumptions could materially affect the fair value estimate.

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

23 INVENTORIES

(a) Inventories in the balance sheets comprise:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Raw materials	**1,054,017**	862,922	**132,324**	112,605
Work in progress	**107,252**	85,462	**2,801**	2,950
Finished goods	**785,026**	666,506	**44,994**	40,119
Spare parts	**225,896**	255,476	**42,203**	76,144
	2,172,191	1,870,366	**222,322**	231,818

As at 31 December 2009, the balance of inventory write-down amounted to approximately RMB6,629,000 (2008: RMB8,661,000), and the net realisable value of the relevant inventories is nil (2008: nil). The decrease in the balance of inventory write-down is due to the disposal of some of these inventories. There were no write-downs or reversal of write-downs in 2009 (2008: nil).

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

23 INVENTORIES (CONTINUED)

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Carrying amount of inventories recognised as expenses	**17,740,481**	18,066,076

24 TRADE RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**429,020**	457,837	**35,022**	53,609
Less: allowance for doubtful debt (note 24(b))	**(13,910)**	(16,780)	**(3,828)**	(7,010)
	415,110	441,057	**31,194**	46,599
Bank acceptance notes receivable	**2,608,697**	3,750,646	**792,308**	1,408,990
Commercial acceptance notes receivable	**6,330**	11,400	**–**	–
	3,030,137	4,203,103	**823,502**	1,455,589

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

24 TRADE RECEIVABLES (CONTINUED)

(a) Ageing analysis

(i) Included in trade receivables are trade debtors and notes receivable (net of allowance for doubtful debts) with the following ageing analysis based on due dates as of the balance sheet date:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current or overdue within 60 days (inclusive)	**3,030,137**	4,202,831	**823,502**	1,455,487
Overdue between 60 days and 1 year (inclusive)	**–**	170	**–**	–
Overdue between 1 and 2 years (inclusive)	**–**	–	**–**	–
Overdue between 2 and 3 years (inclusive)	**–**	102	**–**	102
	3,030,137	4,203,103	**823,502**	1,455,589

Trade debtors are due within 30-60 days from the date of billing, except for retention money in respect of certain sales contracts which is due upon the expiry of the retention period. Notes receivable are due within 6 months from the date of issuance.

Further details on the Group's credit policy are set out in note 38(a).

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

24 TRADE RECEIVABLES (CONTINUED)

(a) Ageing analysis (continued)

(ii) Included in trade receivables are trade debtors and notes receivable (net of allowance for doubtful debts) with the following ageing analysis based on invoice issuance dates as of the balance sheet date:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year (inclusive)	**3,030,137**	4,203,001	**823,502**	1,455,487
Between 1 year and 2 years (inclusive)	**–**	–	**–**	–
Between 2 years and 3 years (inclusive)	**–**	102	**–**	102
	3,030,137	4,203,103	**823,502**	1,455,589

(b) Impairment of trade debtors and notes receivable

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

24 TRADE RECEIVABLES (CONTINUED)

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

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**16,780**	18,702	**7,010**	7,403
Impairment loss reversed	**(378)**	(1,160)	**(705)**	(393)
Uncollectible amounts written off	**(2,492)**	(762)	**(2,477)**	–
At 31 December	**13,910**	16,780	**3,828**	7,010

At 31 December 2009, the Group's and the Company's trade receivables of approximately RMB1,100,000 (2008: RMB1,064,000) and RMB807,000 (2008: nil) respectively were individually determined to be impaired. Consequently, specific allowances for doubtful debts of RMB1,100,000 (2008: RMB1,064,000) and RMB807,000 (2008: nil) respectively were recognised. The Group does not hold any collateral over these balances.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

24 TRADE RECEIVABLES (CONTINUED)

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

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Neither past due nor impaired	**3,023,060**	4,192,553	**817,273**	1,445,209
Overdue within 60 days (inclusive)	**7,077**	10,278	**6,229**	10,278
Overdue between 60 days and 1 year (inclusive)	**–**	170	**–**	–
Overdue between 1 and 2 years (inclusive)	**–**	–	**–**	–
Overdue between 2 and 3 years (inclusive)	**–**	102	**–**	102
	3,030,137	4,203,103	**823,502**	1,455,589

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

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

25 PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Purchase deposits	**352,577**	305,847	**12,048**	32,541
Subsidies receivable	**1,077**	10,000	**–**	–
Current portion of loans and receivables (note 20)	**212,986**	151,281	**–**	–
Value-added tax recoverable	**525,038**	129,147	**–**	3,849
Other receivables	**92,267**	39,330	**10,924**	8,999
	1,183,945	635,605	**22,972**	45,389

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

26 AMOUNTS DUE FROM/TO SUBSIDIARIES

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

27 AMOUNTS DUE FROM/TO RELATED PARTIES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due from:				
Anhui Conch Kawasaki Engineering Co., Ltd. ("Conch Kawasaki Engineering") 安徽海螺川崎工程有限公司	**286,584**	215,810	**–**	–
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("Conch Kawasaki Energy Conservation") 安徽海螺川崎節能設備製造有限公司	**103,485**	126,196	**–**	8,400
Conch Kawasaki Equipment	**51,917**	–	**3,390**	–
Guiding Conch Panjiang	**20,263**	–	**–**	–

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

27 AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Amounts due from: (continued)				
Yingde Dragon Mountain Cement Co., Ltd. ("Dragon Mountain") 英德龍山水泥有限責任公司	**9,083**	–	**–**	–
Wuhu Conch Profiles and Science Co., Ltd. ("Conch Profiles and Science ") 蕪湖海螺型材科技股份有限公司	**3,447**	2,409	**–**	–
Wuhu Conch Venture Property Investment Co., Ltd. ("Conch Venture Property") 蕪湖海創置業有限責任公司	**2,880**	–	**2,880**	–
Guiyang Conch Panjiang	**1,826**	–	**38**	–
Anhui Conch Construction Materials Design Centre ("Conch Design") 安徽海螺建材設計院	**405**	–	**360**	–
Wuhu Sanshan Port Co., Ltd. ("Sanshan Port") 蕪湖三山港務有限公司	**17**	377	**–**	–
Yingde Conch Profiles Co., Ltd. ("Yingde Profiles") 英德海螺型材有限責任公司	**–**	54	**–**	–
	479,907	344,846	**6,668**	8,400
Amounts due to:				
Conch Kawasaki Engineering	**102,738**	114,883	**–**	2,135
Conch Kawasaki Energy Conservation	**57,650**	–	**–**	–
Xingye Conch	**56,800**	56,800	**56,800**	56,800
Fusui Conch	**41,373**	41,373	**41,373**	41,373
Conch Kawasaki Equipment	**22,283**	–	**3**	–
Sanshan Port	**2,594**	616	**792**	–
Dragon Mountain	**2,371**	–	**–**	–

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

27 AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due to: (continued)				
Wuhu Conch New Materials Co., Ltd. ("Conch New Materials") 蕪湖海螺新材料有限公司	**904**	1,146	**282**	856
Anhui Conch Venture Investment Company Limited ("Conch Venture") 安徽海螺創業投資有限責任公司	**191**	–	**191**	–
Conch Profiles and Science	**99**	760	**13**	229
Anhui Conch Holdings Co., Ltd. ("Conch Holdings") 安徽海螺集團有限責任公司	**–**	4,735	**–**	4,735
	287,003	220,313	**99,454**	106,128

The amounts due from/to related parties mainly arose from the related party transactions as disclosed in note 41. The amounts due from/to related parties are unsecured, interest free and repayable on demand.

28 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits with banks	**600,000**	2,800,000	**600,000**	2,800,000
Cash at bank and in hand	**2,972,876**	3,951,211	**1,637,133**	2,595,169
Cash and cash equivalents in the balance sheet	**3,572,876**	6,751,211	**2,237,133**	5,395,169

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

28 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of profit before taxation to cash generated from operations

	Note	**2009 RMB'000**	2008 RMB'000
Profit before taxation		**4,508,496**	3,269,087
Adjustments for:			
Depreciation	14(a)	**1,604,890**	1,402,632
Impairment loss on trade and other receivables	6(c)	**2,230**	(977)
Amortisation of interest in leasehold land held for own use under operating leases	14(a)	**27,919**	24,556
Amortisation of intangible assets	15(a)	**15,375**	12,966
Finance costs	6(a)	**451,145**	820,758
Interest income	5	**(97,898)**	(72,862)
Dividend income from available-for-sale equity securities	5	**(9,966)**	–
Share of profits of associates		**(83)**	(4,356)
Share of losses of jointly controlled entities	19	**1,369**	351
Net loss/(gain) on disposal of fixed assets	5	**34,043**	(3,682)
Net gain on partial disposal of a subsidiary	5	**(889)**	–
Net loss on disposal of other investments in equity securities	5	**10**	–
Net realised gain on trading securities	5	**(346)**	(12,202)
Reclassification from equity on disposal of available-for-sale equity securities	5	**(6,035)**	(32,352)
Operating profit before changes in working capital carried forward		**6,530,260**	5,403,919

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

28 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of profit before taxation to cash generated from operations (continued)

	2009 RMB'000	2008 RMB'000
Operating profit before changes in working capital carried forward	**6,530,260**	5,403,919
Changes in working capital:		
Increase in inventories	**(342,302)**	(307,814)
Decrease/(increase) in trade receivables	**1,172,298**	(731,014)
Increase in prepayments and other receivables	**(509,829)**	(102,873)
Increase in amounts due from related parties	**(35,080)**	(5,536)
Increase in trade payables	**822,304**	1,539,820
Increase in other payables and accruals	**119,611**	94,470
Decrease in amounts due to related parties	**(1,099)**	(2,583)
Decrease in long-term payables	**(6,359)**	(18,653)
Increase in deferred income	**102,594**	87,152
Cash generated from operations	**7,852,398**	5,956,888

28 CASH AND CASH EQUIVALENTS (CONTINUED)

(c) Partial disposal of a subsidiary

As mentioned in note 17, the Company sold 50% equity interest in Conch Machinery to Kawasaki Plant System Ltd. in July 2009. Conch Machinery has since been renamed as Conch Kawasaki Equipment and become a jointly controlled entity of the Company. The relevant financial information of Conch Machinery upon the partial disposal is shown as follows:

	RMB'000
Cash and cash equivalents	(9,987)
Non-cash current assets	(62,111)
Non-current assets	(115,344)
Current liabilities	29,220
Net assets	(158,222)
Consideration received, satisfied in cash	80,000
Cash and cash equivalents disposed of	(9,987)
Net cash inflow upon partial disposal	70,013

29 TRADE PAYABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**3,333,860**	3,470,634	**744,266**	1,199,164
Notes payable	**940,943**	–	**1,294,178**	200,000
	4,274,803	3,470,634	**2,038,444**	1,399,164

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

29 TRADE PAYABLES (CONTINUED)

Included in trade payables are trade creditors and notes payable with the following aging analysis based on invoice/notes issuance dates as of the balance sheet date:

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Within 1 year (inclusive)	**4,260,096**	3,456,043	**2,038,077**	1,398,784
Between 1 year and 2 years (inclusive)	**10,814**	12,059	**367**	380
Between 2 years and 3 years (inclusive)	**2,922**	2,216	**–**	–
Over 3 years	**971**	316	**–**	–
	4,274,803	3,470,634	**2,038,444**	1,399,164

30 OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Construction cost payables	**924,806**	826,283	**8,080**	20,891
Receipts in advance from customers	**551,588**	546,230	**93,097**	99,041
Deposits from suppliers	**214,811**	112,826	**32,106**	17,444
Retention moneys	**572,343**	321,515	**8,669**	5,221
Expense accruals	**71,671**	50,838	**13,442**	9,178
Value-added tax payables	**72,017**	69,082	**9,226**	5,321
Other taxes payables	**84,159**	89,836	**7,759**	21,954
Payables for leasehold land held for own use under operating lease	**91,650**	–	**–**	–
Acquisition cost of limestone mining rights payable	**19,400**	20,367	**–**	–
Acquisition cost of clay mining rights payable	**3,471**	3,741	**–**	–
Withholding tax payable	**952**	701	**84**	63
Interest payable	**17,241**	24,580	**8,794**	10,281
Dividend payable to minority interests	**–**	50,000	**–**	–
Other payables	**345,454**	279,097	**45,754**	51,779
	2,969,563	2,395,096	**227,011**	241,173

(Expressed in Renminbi Yuan unless otherwise indicated)

31 NON-CURRENT INTEREST-BEARING BORROWINGS

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans (note 33)				
– unsecured	**4,085,440**	5,318,000	**150,000**	650,000
Loans from Conch Holdings				
– unsecured (note (b)(i))	**600,000**	–	**–**	–
Other borrowings				
– secured (note (b)(ii))	**650,000**	650,000	**650,000**	650,000
– unsecured (note (b)(iii))	**58,182**	65,455	**–**	–
	5,393,622	6,033,455	**800,000**	1,300,000

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

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

(i) Loans from Conch Holdings bear interest at a fixed rate of 4.69% per annum. The loans are unsecured and repayable in May 2014.

(ii) Other secured borrowings of the Group and the Company are provided by the International Finance Corporation ("IFC"). The loan bears interest at a rate of 5.32% (2008: 5.32%) per annum and is repayable in September 2015. At 31 December 2009, the loan was secured by property, plant and equipment of the Group with carrying amount of approximately RMB520,581,000 (2008: RMB591,397,000) and leasehold land held for own use under operating leases of the Group with carrying amount of approximately RMB52,024,000 (2008: RMB53,219,000). The loan is subject to various financial covenants that are reported to IFC on a quarterly basis.

(iii) Other unsecured borrowings are national debt loan (國債轉貸) provided by the Anhui Finance Bureau. The loan bears interest at a rate of 4.44% (2008: 3.36%) per annum and is repayable in June 2017.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

32 CURRENT INTEREST-BEARING BORROWINGS

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans (note 33)	**3,523,280**	3,916,800	**760,000**	1,035,000
Other borrowings	**660,000**	878,376	**200,000**	353,950
	4,183,280	4,795,176	**960,000**	1,388,950

At 31 December 2009, other borrowings of the Group amounting to RMB660,000,000 were outstanding discounted bills with recourse (2008: RMB878,376,000).

33 BANK LOANS

At 31 December 2009, the bank loans were repayable as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year or on demand (note 32)	**3,523,280**	3,916,800	760,000	1,035,000
After 1 year but within 2 years	**1,279,130**	2,609,000	**100,000**	550,000
After 2 years but within 5 years	**2,790,310**	2,624,000	50,000	100,000
After 5 years	**16,000**	85,000	**–**	–
Total non-current bank loans (note 31(a))	**4,085,440**	5,318,000	**150,000**	650,000
	7,608,720	9,234,800	**910,000**	1,685,000

33 BANK LOANS (CONTINUED)

At 31 December 2009 and 2008, no bank loans of the Group and the Company were secured by property, plant and equipment of the Group and the Company or leasehold land held for own use under operating leases of the Group and the Company.

At 31 December 2009, unsecured bank loans of the Group and the Company totalling RMB1,632,000,000 (2008: RMB7,644,800,000) and RMB600,000,000 (2008: RMB1,185,000,000) respectively were guaranteed by Conch Holdings.

At 31 December 2009, the banking facilities of the Group amounted to approximately RMB57,543,000,000 (2008: RMB55,526,450,000). The facilities were utilised to the extent of approximately RMB10,452,120,000 (2008: RMB10,350,250,000).

34 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheets represents:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Provision for PRC Corporate Income Tax for the year	**869,422**	568,194	**62,983**	55,781
PRC Corporate Income Tax paid	**(542,221)**	(301,678)	**(31,649)**	(18,025)
	327,201	266,516	**31,334**	37,756
Representing:				
Tax recoverable	**(15,637)**	(19,170)	**–**	–
Tax payable	**342,838**	285,686	**31,334**	37,756
	327,201	266,516	**31,334**	37,756

34 INCOME TAX IN THE BALANCE SHEET (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

(i) The Group

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

	Allowances and impairment RMB'000	Unrealised profits (note) RMB'000	Arising from business combination RMB'000	Tax losses RMB'000	Provision RMB'000	Fair value change of available-for-sale equity securities RMB'000	Total RMB'000
Deferred tax arising from:							
At 1 January 2008	(27,696)	(28,442)	20,331	(18,605)	(4,899)	–	(59,311)
Charged/(credited) to income statement	4,178	8,513	(424)	(3,485)	1,466	–	10,248
At 31 December 2008	(23,518)	(19,929)	19,907	(22,090)	(3,433)	–	(49,063)
At 1 January 2009	**(23,518)**	**(19,929)**	**19,907**	**(22,090)**	**(3,433)**	**-**	**(49,063)**
Charged/(credited) to income statement	**823**	**(7,495)**	**(423)**	**4,502**	**582**	**-**	**(2,011)**
Charged to reserves	**-**	**-**	**-**	**-**	**-**	**292,547**	**292,547**
At 31 December 2009	**(22,695)**	**(27,424)**	**19,484**	**(17,588)**	**(2,851)**	**292,547**	**241,473**

Note: The unrealised profits arose from intra-group sale of inventories and fixed assets, and sale of inventories and fixed assets to/by associates and jointly controlled entities.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

34 INCOME TAX IN THE BALANCE SHEET (CONTINUED)

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

(ii) The Company

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

	Allowances and Impairment RMB'000	Fair value change of available-for-sale equity securities RMB'000	Total RMB'000
Deferred tax arising from:			
At 1 January 2008	(15,086)	–	(15,086)
Credited to the income statement	3,801	–	3,801
At 31 December 2008	(11,285)	–	(11,285)
At 1 January 2009	(11,285)	–	(11,285)
Credited to the income statement	977	–	977
Charged to reserves	–	292,547	292,547
At 31 December 2009	(10,308)	292,547	282,239

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

34 INCOME TAX IN THE BALANCE SHEET (CONTINUED)

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

(iii) Reconciliation to the balance sheet

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net deferred tax assets recognised on the balance sheet	**(60,250)**	(68,970)	**–**	(11,285)
Net deferred tax liabilities recognised on the balance sheet	**301,723**	19,907	**282,239**	–
	241,473	(49,063)	**282,239**	(11,285)

35 LONG-TERM PAYABLES

	The Group	
	2009	2008
	RMB'000	RMB'000
Compensation payable (note (a))	**32,575**	38,928
Acquisition cost of mining rights payable (note (b))	**54,000**	–
Others	**1,622**	1,628
	88,197	40,556
Less: Current portion of compensation payable (note (a))	**(9,822)**	(7,325)
Current portion of acquisition cost of mining rights payable (note(b))	**(6,000)**	–
	72,375	33,231

35 LONG-TERM PAYABLES (CONTINUED)

Notes:

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

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

At 31 December 2009, the total remaining obligation in relation to the above agreements amounted to approximately RMB32,575,000 (2008: RMB38,928,000). Compensation payable of RMB9,822,000 (2008: RMB7,325,000) is expected to be settled within the next year.

(b) In 2009, pursuant to the agreement entered into between the Group and Anhui Provincial Department of Land and Resources, acquisition cost of mining rights amounting to approximately RMB54,000,000 is payable between 2010 and 2018, of which approximately RMB6,000,000 is to be settled within the next year.

36 DEFERRED INCOME

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**235,593**	148,441	**17,926**	12,692
Government grant received	**131,051**	106,653	**22,878**	6,844
Recognised in the income statement	**(28,457)**	(19,501)	**(3,135)**	(1,610)
At 31 December	**338,187**	235,593	**37,669**	17,926

According to the PRC tax law and regulations, the Group can enjoy certain tax incentives arising from the purchases of domestically manufactured equipment and qualified energy conservation equipment, in the form of tax refunds.

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

37 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2008		1,566,434	9,030,167	25,289	345,738	228,882	795,064	11,991,574
Changes in equity for 2008:								
Total comprehensive income for the year		–	–	–	–	(241,102)	1,284,950	1,043,848
New shares issued	37(c)	200,000	11,082,057	–	–	–	–	11,282,057
Appropriations to reserves for current year profit	37(d)(iii)	–	–	–	125,768	–	(125,768)	–
Balance at 31 December 2008 and 1 January 2009		**1,766,434**	**20,112,224**	**25,289**	**471,506**	**(12,220)**	**1,954,246**	**24,317,479**
Changes in equity for 2009:								
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**889,861**	**2,862,346**	**3,752,207**
Dividends approved in respect of the previous year	37 (b)	**-**	**-**	**-**	**-**	**-**	**(529,930)**	**(529,930)**
Additional appropriations to reserves due to partial disposal of a subsidiary	37(d)(iii)	**-**	**-**	**-**	**360**	**-**	**(360)**	**-**
Appropriations to reserves for current year profit	37(d)(iii)	**-**	**-**	**-**	**287,140**	**-**	**(287,140)**	**-**
Balance at 31 December 2009		**1,766,434**	**20,112,224**	**25,289**	**759,006**	**877,641**	**3,999,162**	**27,539,756**

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2009 RMB'000	2008 RMB'000
Final dividend proposed after the balance sheet date of RMB0.35 per ordinary share (2008: RMB0.30 per ordinary share)	**618,252**	529,930

In addition, the directors proposed a bonus issue of 10 shares for every 10 shares held by the shareholders. As a result, the issued capital of the Company will increase from RMB1,766,434,193 to RMB3,532,868,386 by capitalising share premium of RMB1,766,434,193.

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

The above proposed 2009 dividends were pending for shareholders' approval.

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

	2009 RMB'000	2008 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.30 per ordinary share (2008: Nil)	**529,930**	–

37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

Registered and issued share capital

	2009		2008	
	No. of shares ('000)	**No. of Amount RMB'000**	shares ('000)	Amount RMB'000
Registered:				
H shares of RMB1 each	**433,200**	**433,200**	433,200	433,200
A shares of RMB1 each	**1,022,480**	**1,022,480**	525,480	525,480
A shares with trading restrictions of RMB1 each	**310,754**	**310,754**	807,754	807,754
	1,766,434	**1,766,434**	1,766,434	1,766,434
Issued and fully paid:				
H shares of RMB1 each	**433,200**	**433,200**	433,200	433,200
A shares of RMB1 each	**1,022,480**	**1,022,480**	525,480	525,480
A shares with trading restrictions of RMB1 each	**310,754**	**310,754**	807,754	807,754
	1,766,434	**1,766,434**	1,766,434	1,766,434

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

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

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

37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

According to the resolution of the A-share shareholders' meeting held on 20 February 2006, the Proposal of Share Segregation Reform of Anhui Conch Cement Company Limited ("the Proposal") was approved whereby Conch Holdings agreed to pay cash consideration of RMB15 for every 10 floating A shares held by holders of floating A shares at the total amount of RMB300,000,000 with a view to obtaining a restricted listing right for the 622,480,000 non-floating state-owned shares of the Company then held by Conch Holdings. After the implementation of the Proposal, the proportion and number of shares in the Company held by holders of A shares and state-owned shares as well as the total issued share capital of the Company will remain unchanged. The State-owned Assets Supervision and Administration Commission of the People's Government of Anhui Province ("SASAC") approved the Proposal on 15 February 2006.

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

On 24 April 2007, the Company obtained the approval of CSRC and (i) issued an aggregate of 22,755,147 A shares to Conch Holdings as consideration for the acquisition of 100% equity interest of Ningchang Plastic, 75% equity interest of Wuhu Plastic and 100% equity interest of Conch International Trading; and (ii) issued an aggregate of 287,999,046 A shares to Conch Venture as consideration for the acquisition of 49% equity interest in Digang Conch, 49% equity interest in Zongyang Conch, 49% equity interest in Chizhou Conch and 31.86% equity interest in Tongling Conch. Pursuant to these transactions, the registered capital of the Company was increased to RMB1,566,434,193 by the issuance of an additional 310,754,193 restricted A shares of RMB1 each, ranking pari passu with the then existing shares of the Company in all respects, except for the trading restrictions as noted above.

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

37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

The Company issued 200,000,000 A shares with a par value of RMB1.00 each in May 2008 at an issue price of RMB57.38 per share, ranking pari passu with the existing shares of the Company in all respects. The aforementioned A shares were listed on the SSE on 28 May 2008.

On 25 February 2009, the board of directors of the Company applied to the SSE for the listing of the 496,912,000 shares with trading restrictions (representing approximately 28% of the total issued shares of the Company at 31 December 2008) in the Company held by Conch Holdings on the SSE. The SSE approved the listing of such 496,912,000 shares with trading restrictions on 2 March 2009.

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

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital reserve

The capital reserve comprises the following:

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

– cash contributed by Conch Holdings.

37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(ii) Capital reserve (continued)

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

On 29 June 2007, Shanghai Conch International (as purchaser) and the former minority shareholder of Wuhu Logistics, Conch Holdings (as vendor), entered into a sale and purchase agreement pursuant to which both parties agreed to transfer the 20% equity interests in Wuhu Logistics. In accordance with the sale and purchase agreement, Shanghai Conch International will pay cash of RMB10,709,000 to the minority shareholder as purchase consideration for such acquisition. On 6 March 2008, the acquisition was approved by the relevant government authorities. The carrying amount of the minority interests acquired amounted to RMB4,506,000 at the acquisition date. The difference between the cost of acquisition and the carrying amount of the net assets acquired was recognised in capital reserve.

(iii) Statutory surplus reserve

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

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

37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(iii) Statutory surplus reserve (continued)

For the year ended 31 December 2009, the directors have recommended that 10% (2008: 10%) of the statutory net profit of the Company and each of its subsidiaries, where applicable, be appropriated to the statutory surplus reserve.

In 2009, an additional appropriation was made to the statutory surplus reserve due to the change in the retained profits of the Company as the result of partial disposal of a subsidiary (see note 17) in accordance with the Company's articles of association.

(iv) Fair value reserve

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

(v) Retained earnings

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

(e) Distributability of reserves

At 31 December 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB3,991,665,000 (2008: RMB1,934,085,000).

37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management

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

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

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

During 2009, the Group's strategy, which was unchanged from 2008, was to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2009 was 39% (2008: 41%). In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Other than the Company's other borrowings (secured) of RMB650,000,000 provided by the International Finance Corporation (see note 31(b)(ii)), neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place to ensure that sales of products are made to customers with an appropriate credit history and the exposures to these credit risks are monitored on an ongoing basis. In addition, the Group normally receives deposits from customers before delivery of products.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-60 days from the date of billing, except for retention money in respect of certain sales contracts which is due upon the expiry of the retention period. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long-term strategic purposes.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the balance sheet date, the Group has certain concentration of credit risk as 18% (2008: 36%) of the total trade and other receivables were due from the Group's five largest customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (continued)

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in notes 24 and 25.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, but the borrowings are subject to approval by the parent company's management. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2009 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade payables	4,274,803	-	-	-	4,274,803	4,274,803
Other payables and accruals	2,969,563	-	-	-	2,969,563	2,969,563
Amounts due to related parties	287,003	-	-	-	287,003	287,003
Bank loans and other borrowings	4,557,421	1,523,174	3,695,245	756,926	10,532,766	9,576,902
Long term payables	18,690	20,964	34,073	28,808	102,535	88,197
	12,107,480	1,544,138	3,729,318	785,734	18,166,670	17,196,468

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Group

	2008 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade payables	3,470,634	–	–	–	3,470,634	3,470,634
Other payables and accruals	2,395,096	–	–	–	2,395,096	2,395,096
Amounts due to related parties	220,313	–	–	–	220,313	220,313
Bank loans and other borrowings	5,196,100	2,862,960	2,890,976	870,148	11,820,184	10,828,631
Long term payables	7,325	16,196	15,408	1,627	40,556	40,556
	11,289,468	2,879,156	2,906,384	871,775	17,946,783	16,955,230

The Company

	2009 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade payables	2,038,444	-	-	-	2,038,444	2,038,444
Other payables and accruals	227,011	-	-	-	227,011	227,011
Amounts due to subsidiaries	8,885,953	-	-	-	8,885,953	8,885,953
Amounts due to related parties	99,454	-	-	-	99,454	99,454
Bank loans and other borrowings	1,015,708	140,514	154,027	675,815	1,986,064	1,760,000
	12,266,570	140,514	154,027	675,815	13,236,926	13,010,862

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Company

	2008 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade payables	1,399,164	-	-	-	1,399,164	1,399,164
Other payables and accruals	241,173	-	-	-	241,173	241,173
Amounts due to subsidiaries	2,344,547	-	-	-	2,344,547	2,344,547
Amounts due to related parties	106,128	-	-	-	106,128	106,128
Bank loans and other borrowings	1,484,003	596,052	207,179	710,362	2,997,596	2,688,950
	5,575,015	596,052	207,179	710,362	7,088,608	6,779,962

As shown in the above analysis, bank loans and other borrowings of the Group and the Company amounting to RMB4,557,421,000 and RMB1,015,708,000 respectively were due to be repaid during 2010. The short-term liquidity risk inherent in this contractual maturity date has been addressed after the balance sheet date by refinancing RMB4,500,000,000 of the loan from Conch Holdings, as disclosed in note 43(b).

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value risk respectively. The interest rates and terms of repayment of the Group's and the Company's borrowings are disclosed in notes 31 and 32. The Group's interest rate profile as monitored by management is set out in (i) below.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings at the balance sheet date.

	The Group				The Company			
	2009		2008		2009		2008	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Net fixed rate borrowings:								
Bank loans	2.23%-4.78%	1,045,720	5.02%-6.80%	1,390,000	4.78%	210,000	5.90%-6.72%	150,000
Other borrowings	2.46%-5.32%	1,910,000	5.32%-7.20%	1,528,376	2.46%-5.32%	850,000	5.32%-7.20%	1,003,950
Less: Loans and receivables	5.31%-7.56%	(329,527)	3.36%-7.56%	(344,026)	-	-	-	-
		2,626,193		2,574,350		1,060,000		1,153,950
Variable rate borrowings:								
Bank loans	4.82%-6.80%	6,563,000	4.86%-7.56%	7,844,800	4.86%	700,000	5.43%-6.80%	1,535,000
Other borrowings	4.44%	58,182	3.36%	65,455	-	-	-	-
		6,621,182		7,910,255		700,000		1,535,000
Total net borrowings		9,247,375		10,484,605		1,760,000		2,688,950
Net fixed rate borrowings as a percentage of total net borrowings		28%		25%		60%		43%

The interest rate of the variable rate borrowings of the Group and the Company is based on the base rate announced by the People's Bank of China.

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB23,974,000 (2008: RMB29,371,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2008.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(ii) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

The Group	**Exposure to foreign currencies (USD) (expressed in RMB'000)**	
	2009	2008
Trade receivables	**49,278**	80,803
Cash and cash equivalents	**14,305**	31,407
Current interest-bearing borrowings	**(65,720)**	–
Other payables and accruals	**(11,129)**	–
Net exposure arising from recognised assets and liabilities	**(13,266)**	112,210

The Company is not exposed to significant currency risk.

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

The Group

	2009		2008	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
USD	**1%**	**(99)**	1%	842

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2008.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities (see note 22).

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk (continued)

The Group and the Company mitigate the risk associated with investments in equity securities by making strategic investment with its disposable fund pursuant to the authorisation of the board of directors, and by limiting the investment to certain listed domestic cement companies with considerable scale, competitive advantage and development potential.

The scale of such investment is controlled under a reasonable cap, and investment strategies are designed collectively by the Group based on securities market conditions and the corporate governance of the targeted companies.

In compliance with PRC laws and regulations and based on the Group's investment strategy, investments in equity securities are classified as available-for-sale securities and securities held for trading, which are then monitored and managed under these classifications respectively.

For investments classified as available-for-sale securities, the Group observes the invested companies' operation and development, and seeks to obtain an understanding of their business management through participation in their shareholder's meetings.

For investments classified as securities held for trading, the Group closely monitors changes in state and local policies, the development of the invested companies' business and changes in the securities market, and thereby seeks to attain capital gain by trading accordingly.

It is estimated that an increase/decrease of 1% (2008: 1%) in the respective quoted share prices of these securities, with all other variables held constant, would have increased/decreased the Group's fair value reserve as follows:

The Group and the Company

	2009		2008	
		Effect on fair value reserve RMB'000		Effect on fair value reserve RMB'000
Change in quoted share price				
Increase	**1%**	**17,580**	1%	12,018
Decrease	**(1%)**	**(17,580)**	(1%)	(12,018)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk (continued)

The sensitivity analysis indicates the instantaneous change in the Group's fair value reserve that would arise assuming that the changes in the respective quoted share prices had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the balance sheet date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant share price, that none of the Group's available-for-sale investments would be considered impaired as a result of the short term fluctuation of the relevant share price, and that all other variables remain constant. The analysis is performed on the same basis for 2008.

(f) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

The Group and the Company

	2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Assets				
Available-for-sale equity securities:				
– Listed	**2,041,104**	**–**	**–**	**2,041,104**
– Listed with trading restrictions	**–**	**302,888**	**–**	**302,888**
	2,041,104	**302,888**	**–**	**2,343,992**

	2008			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Available-for-sale equity securities:				
– Listed	1,080,449	–	–	1,080,449
– Listed with trading restrictions	–	121,308	–	121,308
	1,080,449	121,308	–	1,201,757

During the year there were no significant transfers between instruments in Level 1 and Level 2.

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values (continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 2008.

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Available-for-sale equity securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs for those investments in unrestricted A shares on the SSE and SZSE. Fair value for those restricted A shares is based on valuation techniques, as set out in note 22.

(ii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) Financial guarantees

Financial guarantees were issued by the Company to its subsidiaries for bank loan borrowings. The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. As the interest rate differential on the interest rate of the guaranteed and non-guaranteed bank loans is insignificant, the fair value of the financial guarantees issued was negligible.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(g) Estimation of fair values (continued)

(iv) Interest rates used for determining fair value

The entity uses the market rate of long-term loan as of 31 December 2009 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2009	2008
Bank loans and other borrowings	**4.78% – 5.35%**	4.78% – 5.35%
Loans and receivables	**5.31% – 5.40%**	5.31% – 5.40%

39 COMMITMENTS

(a) Capital commitments outstanding at 31 December not provided for in the financial statements were as follows:

	The Group		**The Company**	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Contracted for	**4,425,361**	4,219,590	**47,216**	3,503
Authorised but not contracted for	**8,705,135**	7,685,571	**–**	30,277
	13,130,496	11,905,161	**47,216**	33,780

(b) At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		**The Company**	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Within 1 year	**2,179**	–	**2,179**	–

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

39 COMMITMENTS (CONTINUED)

(c) As disclosed in note 41(b)(vii), the Company is committed to pay trademark licence fee to Conch Holdings at RMB1,513,000 (2008: RMB1,513,000) per annum. The licence agreement does not indicate an expiry date of the agreement.

40 CONTINGENT LIABILITIES

At 31 December 2009, the Company has issued guarantees to banks in respect of bank loans of its subsidiaries amounting to RMB5,451,000,000 (2008: RMB720,000,000). The directors do not consider it probable that a claim will be made against the Company under any of these guarantees.

At 31 December 2009, outstanding letter of credit issued by the Group amounted to approximately RMB40,162,000 (2008: nil).

41 MATERIAL RELATED PARTY TRANSACTIONS

(a) Related parties information

In addition to the associates and jointly controlled entities of the Group as disclosed in notes 18 and 19 of these financial statements, the directors are of the view that the following entities are related parties of the Group.

Name of related party	Nature of relationship
Conch Holdings 安徽海螺集團有限責任公司	Substantial shareholder of the Company
Conch Venture 安徽海螺創業投資有限責任公司	Shareholder of Conch Holdings and the Company, some directors of the Company are also directors and equity holders of Conch Venture
Dragon Mountain 英德龍山水泥有限責任公司	A director of the Company is also a director of Dragon Mountain
Wuhu International Grand Hotel ("Grand Hotel") 蕪湖海螺國際大酒店	Subsidiary of Conch Holdings

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

41 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related parties information (continued)

Name of related party	Nature of relationship
Conch Design 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Conch Profiles and Science 蕪湖海螺型材科技股份有限公司	Subsidiary of Conch Holdings
Anhui Conch Information Technology Engineering Co., Ltd. ("Conch Information") 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Design
Yingde Profiles 英德海螺型材有限責任公司	Subsidiary of Conch Profiles and Science
Conch New Materials 蕪湖海螺新材料有限公司	Subsidiary of Conch Profiles and Science
Sanshan Port 蕪湖三山港務有限公司	Subsidiary of Conch Venture
Conch Venture Property 蕪湖海創置業有限責任公司	Subsidiary of Conch Venture
Conch Kawasaki Engineering 安徽海螺川崎工程有限公司	Joint venture of Conch Venture
Conch Kawasaki Energy Conservation 安徽海螺川崎節能設備製造有限公司	Joint venture of Conch Venture

(Expressed in Renminbi Yuan unless otherwise indicated)

41 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year.

(i) Sales of goods

	2009 RMB'000	2008 RMB'000
Conch Kawasaki Equipment	**14,217**	–
Guiding Conch Panjiang	**12,923**	–
Guiyang Conch Panjiang	**10,618**	–
Conch Kawasaki Energy Conservation	**10,245**	2,139
Conch Profiles and Science	**1,022**	2,075
Conch New Materials	**844**	812
Sanshan Port	**218**	424
Yingde Profiles	**128**	–
	50,215	5,450

(ii) Purchase of goods

	2009 RMB'000	2008 RMB'000
Sanshan Port	**16,003**	–
Conch Profiles and Science	**3,453**	2,091
Yingde Profiles	**3,088**	1,874
Conch New Materials	**1,292**	–
Conch Kawasaki Equipment	**548**	–
Conch Kawasaki Engineering	**11**	–
	24,395	3,965

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

41 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies (continued)

(iii) Purchase of fixed assets

	2009 RMB'000	2008 RMB'000
Conch Kawasaki Engineering	**341,856**	786,060
Conch Kawasaki Energy Conservation	**311,111**	56,000
Conch Kawasaki Equipment	**54,692**	–
	707,659	842,060

(iv) Provision of services

	2009 RMB'000	2008 RMB'000
Conch Profiles and Science	**5,982**	17,411
Conch Kawasaki Engineering	**4,314**	8,286
Conch Kawasaki Equipment	**1,840**	–
Conch Kawasaki Energy Conservation	**923**	–
Guiding Conch Panjiang	**51**	–
Guiyang Conch Panjiang	**51**	–
	13,161	25,697

(v) Receiving services

	2009 RMB'000	2008 RMB'000
Conch Design	**23,066**	18,293
Conch Information	**8,880**	1,940
Conch Venture	**2,560**	–
Sanshan Port	**777**	622
Grand Hotel	**675**	2,700
Yingde Profiles	**100**	–
	36,058	23,555

41 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies (continued)

(vi) Importing machinery through Conch International Trading

	2009 RMB'000	2008 RMB'000
Guiding Conch Panjiang	**38,397**	–
Guiyang Conch Panjiang	**15,465**	–
	53,862	–

(vii) Transactions with Conch Holdings

	2009 RMB'000	2008 RMB'000
Trademark licence fees payable (note (a))	**1,513**	1,513
Composite service fees payable (note (b))	**2,210**	3,277
Loan guarantees obtained (note (c))	**1,632,000**	7,644,800
Trademark licence fee received on behalf of Conch Holdings (note (d))	**–**	4,735
Loans from Conch Holdings (note (e))	**600,000**	–
Interest on loans (note (e))	**8,559**	–
Acquisition of minority interests (note 37(d)(ii))	**–**	10,709

Notes:

(a) The Company has entered into a trademark licence agreement with Conch Holdings, pursuant to which Conch Holdings granted the Company exclusive rights to use and apply the Conch trademarks within and outside the PRC in respect of all cement and clinker products of the Group. In return, the Company agreed to pay RMB1,513,000 to Conch Holdings annually. Such licence fees have been charged to the Group since 1 January 1998.

41 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies (continued)

(b) Conch Holdings charged the Company a total amount of RMB2,210,000 (2008: RMB3,277,000) for various services rendered and facilities provided during the year ended 31 December 2009.

(c) Conch Holdings provided guarantees for certain borrowings of the Company and its subsidiaries. These guarantees are free of any charges to the Company and its subsidiaries (note 33).

(d) The Company received a total amount of RMB4,735,000 trademark licence fee on behalf of Conch Holding during the year ended 31 December 2008.

(e) The loans from Conch Holdings bear interest at a fixed rate of 4.69% per annum. The loans are unsecured and repayable in May 2014 (see note 31).

(viii) In October 2009, the Company entered into a joint construction contract with related parties, Conch Venture Property and Grand Hotel, to build Conch Tower in Wuhu City, Anhui Province, the PRC. Pursuant to the contract, the three parties will share interests in the building and leasehold land pertaining to the building proportional to each party's investment, with Conch Venture Property being responsible for managing the process of construction. The total investment amount of the Company is expected to be approximately RMB52,000,000 and the Company will have a share of 20% in the interest of the building and leasehold land.

In 2009, the Company paid a total of approximately RMB4,784,000 to Conch Venture Property for the construction of the building, of which approximately RMB2,880,000, representing prepayments for the construction project, was included in amounts due from related parties (see note 27).

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

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

Apart from transactions mentioned in note 41(b), the Group has transactions with other state-controlled entities include but not limited to the following:

– purchases of coal; and

– depositing and borrowing money.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

41 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

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

	2009	2008
	RMB'000	RMB'000
Purchase of coal	**2,231,073**	1,170,488
Interest expenses	**458,941**	832,946
Cash and cash equivalents	**3,567,095**	6,749,107
Prepayments and other receivables	**17,853**	22,354
Bank loans	**8,076,902**	9,000,205

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2009	2008
	RMB'000	RMB'000
Short-term employee benefits	**5,852**	7,206
Post-employment benefits	**128**	96
	5,980	7,302

Total remuneration is included in "staff costs" (see note 6(b)).

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

42 COMPARATIVE FIGURES

As a result of the application of IAS 1 (revised 2007), Presentation of financial statements, Amendments to IFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments, and IFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 3.

43 NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 37(b).

(b) On 1 February 2010, the board of directors of the Company approved additional borrowings of not more than RMB4,800,000,000 from Conch Holdings which bear interest at a fixed rate of 4.83% per annum, are unsecured and are repayable in January 2013. Pursuant to the resolution, the Group borrowed RMB4,500,000,000 from Conch Holdings after the balance sheet date up to the approval date of these financial statements.

(c) The 2008 annual general meeting held on 5 June 2009 approved the issuance of corporate bonds of not more than RMB9,500,000,000. Up to the approval date of these financial statements, the application for the issuance of corporate bonds is pending the approval of CSRC.

44 IMMEDIATE AND ULTIMATE CONTROLLING COMPANY

At 31 December 2009, the directors consider the immediate parent and ultimate controlling company of the Group to be Conch Holdings and Anhui Provincial Investment Group Limited respectively, which are both state-owned enterprises established in the PRC. These entities do not produce financial statements available for public use.

(Expressed in Renminbi Yuan unless otherwise indicated)

45 SOURCES OF ESTIMATION UNCERTAINTY

Note 38 contains information about the assumptions and their risk factors relating to the fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment for non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36, Impairment of Assets. The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, tariff and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, tariffs and amount of operating costs.

(b) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account upgrading and improvement work performed, and anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

45 SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(c) Inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in customer preference and competitor actions in response to serve industry cycles. Management measures these estimates at each balance sheet date.

(d) Impairment for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of customers to make the required payments. The Group bases the estimates on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(e) Fair value

In determining the fair value of the financial instruments, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

		Effective for accounting periods beginning on or after
IFRS 3 (Revised)	Business combinations	1 July 2009
Amendments to IAS 27	Consolidated and separate financial statements	1 July 2009
IFRIC 17	Distributions of non-cash assets to owners	1 July 2009
Improvements to IFRSs 2009		1 July 2009 or 1 January 2010
Amendment to IAS 32	Financial instruments: Presentation – Classification of rights issues	1 February 2010
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010
Revised IAS 24	Related party disclosures	1 January 2011
IFRS 9	Financial instruments	1 January 2013

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

(1) Financial statements with the signatures and seals of the legal representative, officer-in-charge of the accounting function and officer-in-charge of the accounting department affixed.

(2) Original of the audited report with the seal of the accounting firm affixed and the signatures and seals of the registered accountants affixed.

(3) Originals of all the documents and the announcements of the Company which were disclosed in newspaper designated by the CSRC during the Reporting Period.

(4) Annual report published on the Stock Exchange.

Anhui Conch Cement Co., Ltd.

29 March 2010

Written Confirmation of Directors and members of the Senior Management on the Annual Report of 2009

Pursuant to the requirements and provisions of Securities Law and No. 2: "Content and Format of Annual Reports" of "Standards of Contents and Format for Information Disclosure of Companies Which Are Securities Issuers" (as revised in 2007), as the Directors and members of the senior management of Anhui Conch Cement Co., Ltd., upon full understanding and review of the annual report of 2009 and summary of the annual report, we are of the view that:

1. the Company has strictly complied with the financial regulations for a joint stock company in its operation, the annual report for 2009 and its summary have fairly reflected the financial position and operating results of the Company for the year;

2. the audited financial statements of Anhui Conch Cement Co., Ltd. for 2009 as audited by KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants are objective, true and fair.

We warrant that the information disclosed in the annual report for 2009 and its summary is true, accurate and complete, and we undertake that it does not contain misrepresentation, misleading statement or material omissions, and we are severally and jointly responsible for the truthfulness, accuracy and completeness of its contents.

Name	Position	Name	Position
Guo Wensan	Chairman and executive Director	Kang Woon	Independent non-executive Director
Chan Yuk Tong	Independent non-executive Director	Jing Meicai	Independent non-executive Director
Guo Jingbi	Executive Director	Ji Qinying	Executive Director and general manager
Yu Biao	Executive Director and deputy general manager	Wu Jianping	Executive Director
Wang Pengfei	Deputy general manager	He Chengfa	Deputy general manager
Zhang Mingjing	Deputy general manager and secretary to the Board	Wu Bin	Assistant to general manager
Li Leyi	Deputy-in-chief engineer of Technology and Knowhow Department		

29 March 2010