



## **2010 INTERIM REPORT**

**Anhui Conch Cement Company Limited**

(A Share: 600585 H Share: 0914)

## Important Notice

The Board, the supervisory committee, the Directors, the supervisors and 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 severally and jointly accept the responsibility for the truthfulness, accuracy and completeness of the contents contained herein.

Mr. Chan Yuk Tong, an independent non-executive Director of the Company, was unable to attend, in person, the second meeting of the fifth session of the Board of the Company. Mr. Chan appointed and authorized Mr. Kang Woon, an independent non-executive Director of the Company to attend the said meeting and exercise the voting rights on his behalf.

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

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

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

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

## Definitions

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

The Company/Company/Conch	:	Anhui Conch Cement Company Limited
The Group	:	The Company and its subsidiaries
Reporting Period	:	The period from 1 January 2010 to 30 June 2010
Directors	:	The directors of the Company
Board	:	The board of directors of the Company
Beiliu Conch	:	Beiliu Conch Cement Co., Ltd.
Chizhou Conch	:	Anhui Chizhou Conch Cement Co., Ltd.
Dazhou Conch	:	Dazhou Conch Cement Co., Ltd.
Xinning Conch	:	Fusui Xinning Conch Cement Co., Ltd.
Guangyuan Conch	:	Guangyuan Conch Cement Co., Ltd.
Ganjiang Conch	:	Jiangxi Ganjiang Conch Cement Co., Ltd.
Conch Holdings	:	Anhui Conch Holdings Co., Ltd.
Conch Venture	:	Anhui Conch Venture Investment Company Limited
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 Building Materials Design Centre
Hunan Conch	:	Hunan Conch Cement Co., Ltd.
Huaining Conch	:	Anhui Huaining Conch Cement Co., Ltd.
Jining Conch	:	Jining Conch Cement Co., Ltd.
Jiande Conch	:	Jiande Conch Cement Co., Ltd.

## Definitions

Jiangmen Conch	:	Jiangmen Conch Cement Co., Ltd.
Linxiang Conch	:	Linxiang Conch Cement Co., Ltd.
Liquan Conch	:	Liquan Conch Cement Co., Ltd.
Liu'an Conch	:	Liu'an Conch Cement Co., Ltd.
Ping An Trust	:	Ping An Trust & Investment Co., Ltd.
Pingliang Conch	:	Pingliang Conch Cement Co., Ltd.
Quanjiao Conch	:	Quanjiao Conch Cement Co., Ltd.
Qianyang Conch	:	Qianyang Conch Cement Co., Ltd.
Shimen Conch	:	Shimen Conch Cement Co., Ltd.
Shuangfeng Conch	:	Shuangfeng Conch Cement Co., Ltd.
Tongling Conch	:	Anhui Tongling Conch Cement Co., Ltd.
Wuhu Conch	:	Wuhu Conch Cement Co., Ltd.
Xing'an Conch	:	Xing'an Conch Cement Co., Ltd.
Yiyang Conch	:	Yiyang Conch Cement Co., Ltd.
Zongyang Conch	:	Anhui Zongyang Conch Cement Co., Ltd.
A Shares	:	Ordinary shares in the capital of the Company listed on the SSE, with a nominal value of RMB1.00 per share, which are subscribed for and traded in RMB
H Shares	:	Foreign shares in the capital of the Company listed on the Stock Exchange, with a nominal value of RMB1.00 per share, which are subscribed for and traded in Hong Kong dollars
Stock Exchange	:	The Stock Exchange of Hong Kong Limited
Listing Rules of the Stock Exchange	:	The Rules Governing the Listing of Securities on the Stock Exchange

## Definitions

SSE	:	Shanghai Stock Exchange
Listing Rules of SSE	:	The Rules Governing the Listing of Stocks on the SSE
Clinker	:	Semi-finished products made in the production process of cement
Hong Kong	:	Hong Kong Special Administrative Region
RMB	:	Renminbi, the lawful currency of the PRC
PRC	:	The People's Republic of China
CSRC	:	China Securities Regulatory Commission

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## I. Basic Corporate Information

- (1) **Official Chinese name of the Company** : 安徽海螺水泥股份有限公司
- Official English name of the Company** : ANHUI CONCH CEMENT COMPANY LIMITED
- Abbreviation in English** : ACC
- (2) **Legal representative of the Company** : Guo Wensan
- (3) **Secretary to the Board (Company Secretary)** : Zhang Mingjing
- Contact number** : 0086 553 8398918  
0086 21 68865209
- 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 Jiu Hua 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 report is available** : Secretariat to the Board of the Company

## I. Basic Corporate Information

- (6) Exchanges on which the Company's shares are listed:**
- |                    |   |                |
|--------------------|---|----------------|
| <b>H Shares</b>    | : | Stock Exchange |
| <b>Stock code</b>  | : | 0914           |
| <b>A Shares</b>    | : | SSE            |
| <b>Stock code</b>  | : | 600585         |
| <b>Stock name:</b> | : | Conch Cement   |
- (7) Date of first registration of the Company** : 1 September 1997
- Place of first registration of the Company** : Industrial and Commercial Administration Bureau, Anhui Province, the PRC
- Date of registration of changes in the particulars of the Company** : 20 July 2010
- Place of registration of changes in the particulars of the Company** : Industrial and Commercial Administration Bureau, Anhui Province, the PRC
- Business license number for legal persons** : 340000000000081
- Tax registration number** : GSWZ 34020214949036-X  
DSWZ 34020214949036-X
- (8) Legal adviser as to PRC law** : Jingtian & Gongcheng  
34/F, Tower 3, China Central Place,  
77 Jian Guo 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 auditor** : KPMG  
8th Floor, Prince's Building,  
10 Chater Road, Central, Hong Kong
- PRC auditor** : KPMG Huazhen  
8th Floor, Office Tower 2, Oriental Plaza,  
1 East Chang An Avenue, Beijing, the PRC
- (10) H Shares share register and transfer office** : Hong Kong Registrars Limited  
17/F, Hopewell Centre,  
183 Queen's Road East, Wanchai, Hong Kong



# I. Basic Corporate Information

## (11) Major Financial Data and Indicators

### 1. Accounting data prepared in accordance with the China Accounting Standards for Business Enterprises (“PRC Accounting Standards”)

Table 1:

Items	30 June 2010 (RMB'000)	31 December 2009 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets	<b>52,388,705</b>	47,148,498	11.11
Total equity attributable to equity shareholders of the Company	<b>29,556,163</b>	28,759,639	2.77
Net assets per share attributable to equity shareholders of the Company (RMB/share) (restated)	<b>8.37</b>	8.14	2.77

Table 2:

Items	Six months ended 30 June 2010 (RMB'000)	Six months ended 30 June 2009 (RMB'000)	Increase/ (decrease) over the same period of the previous year (%)
Operating profit	<b>2,057,358</b>	1,504,848	36.72
Profit before taxation	<b>2,342,720</b>	1,601,600	46.27
Net profit attributable to equity shareholders of the Company	<b>1,796,682</b>	1,297,121	38.51
Net profit attributable to equity shareholders of the Company after extraordinary items	<b>1,614,190</b>	1,227,125	31.54
Basic earnings per share (RMB/share) (restated)	<b>0.51</b>	0.37	38.51
Diluted earnings per share (RMB/share) (restated)	<b>0.51</b>	0.37	38.51
Basic earnings per share after extraordinary items (RMB/share) (restated)	<b>0.46</b>	0.35	31.54
Return on net assets (fully diluted) (%)	<b>6.08</b>	4.96	Increased by 1.12 percentage points
Weighted average return on net assets (%)	<b>6.09</b>	5.10	Increased by 0.99 percentage point
Return on net assets after extraordinary items (fully diluted) (%)	<b>5.46</b>	4.70	Increased by 0.76 percentage point

## I. Basic Corporate Information

Items	Six months ended 30 June 2010 (RMB'000)	Six months ended 30 June 2009 (RMB'000)	Increase/ (decrease) over the same period of the previous year (%)
Weighted average return on net assets after extraordinary items (%)	5.47	4.82	Increased by 0.65 percentage point
Net cash flow generated from operating activities	332,963	4,400,424	(92.43)
Net cash flow per share generated from operating activities (RMB/share) (restated)	0.09	1.25	(92.43)

Note: Given the implementation of the proposal of capitalization of capital reserve fund by the Group during the Reporting Period, there were changes in the share capital. Accordingly, the "Net assets per share attributable to shareholders of the Company" as at 31 December 2009 stated in Table 1 and the "Basic earnings per share", "Diluted earnings per share", "Basic earnings per share after extraordinary items" and "Net cash flow per share generated from operating activities" for the six months ended 30 June 2009 stated in Table 2 were restated by the Group.

Table 3:

Extraordinary items for the Reporting Period	Amount (RMB'000)
(1) Gain/(Loss) on disposals of non-current assets	1,378
(2) Government subsidy	234,436
(3) Other extraordinary items	5,704
(4) Effect of extraordinary items on income tax	(54,578)
(5) Effect of extraordinary items on minority interests	(4,448)
<b>Total</b>	<b>182,492</b>

### 2. Financial summary prepared in accordance with the International Financial Reporting Standards ("IFRS")

Items	Six months ended 30 June 2010 (RMB'000)	Six months ended 30 June 2009 (RMB'000)	Increase/ (decrease) over the same period of the previous year (%)
Revenue	13,868,274	11,236,056	23.43
Net profit attributable to equity shareholders of the Company	1,797,514	1,274,089	41.08

## I. Basic Corporate Information

Items	30 June 2010 (RMB'000)	31 December 2009 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets	52,246,078	47,003,951	11.15
Total liabilities	22,580,717	18,179,216	24.21

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

	Net profit attributable to equity shareholders of the Company		Equity attributable to equity shareholders of the Company	
	Six months ended 30 June 2010 (RMB'000)	Six months ended 30 June 2009 (RMB'000)	As at 30 June 2010 (RMB'000)	As at 31 December 2009 (RMB'000)
As reported in the statutory financial statements under the PRC Accounting Standards	1,796,682	1,297,121	29,556,163	28,759,639
- Reversal of valuation surplus of land use rights upon restructuring of the Group	1,919	1,919	(142,631)	(144,550)
- Deferral of subsidy income not subject to the "China Accounting Standards for Business Enterprises No.16 - Government Subsidy" in accordance with the IFRS	(1,087)	(24,951)	(343,002)	(327,749)
As reported in accordance with the IFRS	1,797,514	1,274,089	29,070,530	28,287,340

## II. Changes in Share Capital and Shareholdings

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

1. On 26 May 2010, 310,754,193 A Shares of the Company with trading restrictions held by Conch Holdings, the controlling shareholder of the Company, Conch Venture and Ping An Trust were released from trading restrictions and commenced trading. The changes of the shareholdings structure of the Company are as follows:

Class of shares	Number of shares before the change (shares)	Change (shares)	Number of shares after the change (shares)
I. Total floating A Shares with trading restrictions	310,754,193	-310,754,193	-
1. Floating shares with trading restrictions held by state-owned legal persons	22,755,147	-22,755,147	-
2. Floating shares with trading restrictions held by other domestic shareholders	287,999,046	-287,999,046	-
II. Total floating A Shares without trading restrictions	1,022,480,000	310,754,193	1,333,234,193
III. Floating H Shares	433,200,000	-	433,200,000
<b>Total</b>	<b>1,766,434,193</b>	<b>-</b>	<b>1,766,434,193</b>

2. During the Reporting Period, as approved by the shareholders at the Company's annual general meeting for year 2009 held on 3 June 2010, the Company implemented the proposal of capitalization of capital reserve fund, under which all shareholders will be issued with 10 shares for every existing 10 shares held by them based on the total share capital of the Company of 1,766,434,193 shares at the end of 2009. The floating A Shares and H Shares without trading restrictions issued under the capitalization issue were listed on 22 June 2010 on the SSE and the Stock Exchange respectively. Upon completion of the capitalization issue, the number of shares of the Company has been increased by 1,766,434,193 shares, of which 1,333,234,193 shares are A Shares and 433,200,000 shares are H Shares. The total number of shares of the Company has been increased from 1,766,434,193 shares to 3,532,868,386 shares.

## II. Changes in Share Capital and Shareholdings

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

As at 30 June 2010, the Company had a total of 52,172 shareholders, 83 of which were the holders of H Shares.

Name of shareholders	Nature of shareholders	Number of shares held at the end of the Reporting Period (shares)	Percentage of shareholding (%)	Class of shares	Trading Restrictions
1. Conch Holdings	State-owned	1,278,886,072	36.20	A Shares	No
2. HKSCC Nominees Limited	Foreign	865,195,994	24.49	H Shares	No (Note 2)
3. Ping An Trust	Others	407,513,796	11.53	A Shares	No
4. Conch Venture	Others	191,142,164	5.41	A Shares	No
5. UBS AG	Others	28,835,190	0.82	A Shares	No
6. China Construction Bank – Hua An Hongli Stock Securities Investment Fund	Others	25,190,000	0.71	A Shares	No
7. CITIC Securities Co., Ltd. – Industrial & Commercial Bank of China – Credit Suisse (Hong Kong) Limited	Others	22,704,692	0.64	A Shares	No
8. International Capital Corporation – HSBC – JPMorgan Chase Bank, National Association	Others	20,766,083	0.59	A Shares	No
9. Morgan Stanley & Co. International Plc.	Others	19,058,444	0.54	A Shares	No
10. Bank of Communications – E Fund Kexun Stock Securities Investment Fund	Others	17,385,700	0.49	A Shares	No

## II. Changes in Share Capital and Shareholdings

### Notes:

- (1) During the Reporting Period, the shares of the Company held by Conch Holdings, Ping An Trust and Conch Venture were not subject to pledge, moratorium or trust.
- (2) HKSCC Nominees Limited held 865,195,994 H Shares, representing 24.49% of the total share capital of the Company, and 99.86% of the issued H share capital of the Company, on behalf of its various clients.
- (3) So far as the Board is aware, as at the end of the Reporting Period, save as Conch Venture and Conch Holdings, who were connected to each other by virtue of 49% of the total issued shares in Conch Holdings and 5.41% of the total issued shares in the Company held by Conch Venture and 36.20% of the total issued shares in the Company held by Conch Holdings respectively, the abovementioned shareholders were not connected to each other nor were parties acting in concert.

- (3) As at 30 June 2010, the following persons (other than the Directors, supervisors and chief executive of the Company) held interests or short position 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 (Cap 571 of the Laws of Hong Kong) (“SFO”):

Name of shareholder	Number of ordinary shares held	Capacity	Percentage of shareholding of the relevant class of shares
Conch Holdings	1,288,818,734 A Shares (long position) (Note a)	Interests of a controlled corporation/beneficial owner	48.33% (note b)
Anhui Provincial Investment Group Limited (“Anhui Provincial Investment Group”)	1,288,818,734 A Shares (long position) (Note a)	Interests of a controlled corporation	48.33% (note b)
Conch Venture	1,490,195,468 A Shares (long position) (Note a)	Interests of a controlled corporation/beneficial owner	55.89% (note b)
JPMorgan Chase & Co.	164,360,682 H Shares (long position) (Note d)	Beneficial owner/ Investment manager/custodian	18.97% (note c)
JPMorgan Chase & Co.	3,325,400 H Shares (short position) (Note d)	Beneficial owner	0.38% (note c)
UBS AG	51,071,911 H Shares (long position) (Note e)	Interests of a controlled corporation/beneficial owner	5.89% (note c)
UBS AG	28,090,162 H Shares (short position) (Note e)	Interests of a controlled corporation/beneficial owner	3.24% (note c)
Taiwan Cement Corporation	77,712,000 H Shares (long position) (Note f)	Interests of a controlled corporation	8.97% (note c)
Genesis Asset Managers, LLP	61,439,432 H Shares (long position)	Investment manager	7.09% (note c)

## II. Changes in Share Capital and Shareholdings

### Notes:

- (a) Among these 1,288,818,734 A Shares, 1,278,886,272 A Shares were held in the name of Conch Holdings and in its capacity as a beneficial owner, while the remaining 9,932,662 A Shares were held as the interests of a controlled corporation. The registered capital of Conch Holdings is RMB800 million, of which 51% of the equity interest is owned by Anhui Provincial Investment Group; and 49% of the equity interest is owned by Conch Venture. Pursuant to the SFO, both Anhui Provincial Investment Group and Conch Venture were deemed to own the entire interests in the shares of the Company held by Conch Holdings. Among the 1,490,195,468 A Shares held by Conch Venture, 191,142,164 A Shares were beneficially owned by Conch Venture while the remaining 1,299,053,304 A Shares were held as the interests of a controlled corporation.
- (b) The total number of domestic shares in issue was 2,666,468,386 shares, all of which were A Shares.
- (c) The total number of H Shares in issue was 866,400,000 shares.
- (d) According to the disclosure of interests form submitted by JPMorgan Chase & Co. in respect of the relevant event that occurred on 30 June 2010, these shares were held through certain subsidiaries of JPMorgan Chase & Co. Of the 164,360,682 H Shares (long position), 3,956,808 H Shares were held in the capacity of beneficial owner; 114,766,000 H Shares in the capacity of investment manager; and 45,637,874 H Shares (securities in lending pool) in the capacity of custodian.
- (e) According to the disclosure of interests form submitted by UBS AG in respect of the relevant event that occurred on 30 June 2010, these shares were held through certain subsidiaries of UBS AG. Of 51,071,911 H Shares (long position), 24,066,951 shares were held in the capacity of beneficial owner; and 27,004,960 shares in the capacity of interest of a controlled corporation. Of the 28,090,162 H Shares (short position), 14,173,202 shares were held in the capacity of a beneficial owner; and 13,916,960 shares in the capacity of interest of a controlled corporation.
- (f) According to the disclosure of interests form submitted by Taiwan Cement Corporation in respect of the relevant event that occurred on 11 December 2008, these shares were held through certain subsidiaries of Taiwan Cement Corporation. The said 77,712,000 H Shares held by Taiwan Cement Corporation includes the share allotted and issued pursuant to the capitalization issue which was completed on 22 June 2010.

Save for the aforesaid shareholders, as at 30 June 2010, 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.

### (4) PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.



### III. Directors, Supervisors, Senior Management and Staff

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

During the Reporting Period, the tenure of the fourth session of the Board and the fourth session of the supervisory committee of the Company was expired on 31 May 2010. As approved by the shareholders at the annual general meeting of the Company for year 2009, Mr. Guo Wensan, Mr. Guo Jingbin, Mr. Ji Qinying, Mr. Qi Shengli and Mr. Wu Jianping were re-appointed as executive Directors of the fifth session of the Board of the Company; Mr. Kang Woon, Mr. Chan Yuk Tong and Mr. Ding Meicai were re-appointed as independent non-executive Directors of the fifth session of the Board of the Company. Mr. Wang Jun and Mr. Wang Yanmou were appointed as the supervisors of the fifth session of the supervisory committee of the Company; and Mr. Ding Feng acted as the staff representative supervisor. The term of office for the fifth session of the Board and supervisory committee is three years, except that the term of office for Mr. Chan Yuk Tong is two years commencing from 3 June 2010 and ending on 2 June 2012. The term of office for the remaining Directors and supervisors commenced from 3 June 2010 and will end on 2 June 2013.

Mr. Guo Wensan was unanimously re-elected as the Chairman of the fifth session of the Board of the Company for a term of three years at the first meeting of the fifth session of the Board; and Mr. Wang Jun was unanimously re-elected as the chairman of the fifth session of the supervisory committee of the Company for a term of three years at the first meeting of the fifth session of the supervisory committee, both held on 3 June 2010.

#### (2) CHANGE IN THE NUMBER OF SHARES OF THE COMPANY HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD

The Directors, supervisors and senior management of the Company did not hold or purchase or sell any shares of the Company during the Reporting Period.

#### (3) INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

For the six months ended 30 June 2010, none of the Directors, chief executive and supervisors of the Company nor any of their respective associates held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), nor had they been granted or exercised the above interests or rights, which were recorded in the register of the Company required to be kept and maintained in accordance with section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules of the Stock Exchange.

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

### III. Directors, Supervisors, Senior Management and Staff

#### (4) CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2010, the Company has complied with all the code provisions (“Code Provisions”) set out in the Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules of the Stock Exchange.

#### (5) MODEL CODE

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

#### (6) EMPLOYEES AND REMUNERATION

As at 30 June 2010, the Group had a total of 32,001 employees. The aggregate remuneration amounted to RMB462,450,000, being the aggregate amount of wages of the employees for the Reporting Period.

## IV. Management Discussion and Analysis

### BUSINESS ENVIRONMENT

During the first half of 2010, the PRC government continued to implement various plans to cope with the global financial crisis and facilitated the sound operation of the PRC economy. GDP recorded a period-on-period increase of 11.1%, an increase of 3.7 percentage points over that in the same period of last year. Exports experienced apparent recovery and increased by 35.2% over that in the same period of last year. Real estate investments grew relatively fast with the newly constructed area expanded by 67.9% over the same period of last year. Fixed asset investments across the nation recorded a period-on-period increase of 25%, the growth rate decreased by 8.5 percentage points over that in the same period of last year. (Source: National Bureau of Statistics of China)

In the third year following the PRC government's implementation of the RMB4 trillion investment plan, implementation of large-scale infrastructural construction projects successively reached its peak in 2010. Cement demand maintained relatively fast growth. During the first half of the year, the nation's cement output recorded a period-on-period increase of 17.5% to 848 million tonnes, the growth rate represented an increase of 2.6 percentage points over that in the same period of last year. Meanwhile, subject to the austerity measures under Guo Fa No.38 Document, investments in the cement industry have slowed down. For the first half of the year, investments in the nation's cement industry recorded a period-on-period increase of 15.39% to RMB86 billion, the growth rate was 51.6 percentage points lower than that in the same period of last year. Various local governments have successively promulgated implementation measures on phasing out obsolete production capacity to enhance the efforts in eliminating obsolete capacity. In general, the cement industry structure was further optimized with relatively promising prospects. (Source: Digital Cement)

### ANALYSIS OF OPERATION

#### Operations

During the Reporting Period, the Group continued to enhance the standard of corporate governance and improve various professional management control systems. It voluntarily responded to the changes in the market environment; and further expanded its expansion efforts in various regional markets and key projects. The selling price of products was increased; whereas the channels for raw materials procurement were optimized, maintaining a gradual increase in management efficiency and effectiveness.

## IV. Management Discussion and Analysis

During the Reporting Period, the Group's production and sales volume and revenue from principal activities maintained continuous and steady growth. Revenue from principal activities under PRC Accounting Standards was RMB13,682,313,500, an increase of 22.72% over that in the same period of last year; net profit attributable to equity shareholders of the Company was RMB1,796,681,600, an increase of 38.51% over that in the same period of last year; earnings per share amounted to RMB0.51. Under IFRSs, the Group's revenue was RMB13,868,274,100, an increase of 23.43% over that in the same period of last year; net profit attributable to equity shareholders of the Company was RMB1,797,513,500, an increase of 41.08% over that in the same period of last year; earnings per share amounted to RMB0.51.

During the Reporting Period, in accordance with the national policies on industry development, the Group steadily pushed ahead its project development. Seven clinker production lines with a daily production capacity of 5,000 tonnes in subsidiaries including Dazhou Conch, Guangyuan Conch and Quanjiao Conch as well as 12 cement grinding units in subsidiaries including Pingliang Conch, Ganjiang Conch and Liu'an Conch subsequently completed construction and commenced production, generating an additional clinker production capacity of 12.60 million tonnes and an additional cement production capacity of 13.20 million tonnes. At the same time, five residual heat electricity generation units in subsidiaries including Pingliang Conch, Dazhou Conch and Linxiang Conch commenced operation with an additional residual heat electricity generation capacity of 54MW.

In addition, as Tongling Conch's project of treatment of urban domestic waste project by utilizing the new cement dry-processed kiln officially commenced operation, the issue of treatment of urban domestic waste was effectively dealt with.

### Sales

During the Reporting Period, the Group achieved net sales volume of cement and clinker of 62.80 million tonnes, an increase of 15.59% over that in the corresponding period of last year. Sales amount in various regions sustained growth. Due to the huge demand in South China, sales amount recorded a period-on-period growth of 47.70%. In West China, as the Group's newly developed projects subsequently commenced production and generated additional production capacity, sales amount recorded a period-on-period increase of 111.01%. With respect to the international market, as the market share attributable to emerging markets such as East Africa, North Africa and South America expanded, the Group's exports grew by 28.43% over that in the same period of last year.

## IV. Management Discussion and Analysis

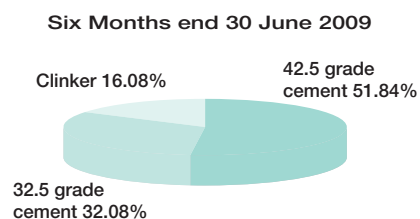
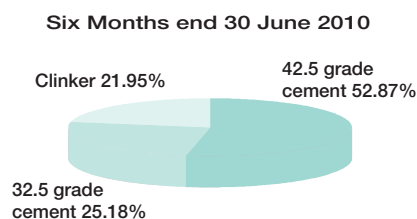
Region	Sales amount by region				Change	
	Six months ended 30 June 2010		Six months ended 30 June 2009		in sales	
	Sales		Sales		proportion	
	amount	Percentage	amount	Percentage	Change	(Percentage
	(RMB'000)	(%)	(RMB'000)	(%)	amount	points)
					(%)	
East China <sup>Note 1</sup>	5,153,442	37.67	4,792,497	42.98	7.53	(5.31)
Central China <sup>Note 2</sup>	3,731,737	27.27	3,113,596	27.93	19.85	(0.66)
South China <sup>Note 3</sup>	3,357,555	24.54	2,273,279	20.39	47.70	4.15
West China <sup>Note 4</sup>	494,427	3.61	234,315	2.10	111.01	1.51
Export	945,152	6.91	735,932	6.60	28.43	0.31
<b>Total</b>	<b>13,682,313</b>	<b>100.00</b>	<b>11,149,619</b>	<b>100.00</b>	<b>22.72</b>	<b>-</b>

Notes:

1. East China includes Jiangsu province, Zhejiang province, Fujian province and Shanghai;
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 and Gansu province.

In the first half of the year, in maintaining the growth in the sales volume of various grades, the product structure was adjusted mainly as a result of the gradual commencement of production of the Group's newly constructed clinker production lines and external clinker sales volume was expanded. Accordingly, proportion of sales amount of clinker increased by 5.87 percentage points over that in the same period of last year; whereas proportion of sales amount of 32.5 grade cement dropped by 6.9 percentage points over that in the same period of last year.

### PERCENTAGE OF SALES BY TYPE OF PRODUCTS



## IV. Management Discussion and Analysis

### PROFIT ANALYSIS

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

Item	Amount		Change from that of the corresponding period of last year (%)
	Six months ended 30 June 2010 (RMB'000)	Six months ended 30 June 2009 (RMB'000)	
Revenue from principal activities	<b>13,682,313</b>	11,149,619	22.72
Profit from operations	<b>2,057,358</b>	1,504,848	36.72
Profit before taxation	<b>2,342,720</b>	1,601,600	46.27
Net profit attributable to equity shareholders of the Company	<b>1,796,682</b>	1,297,121	38.51
Net cash flow from operating activities	<b>332,963</b>	4,400,424	(92.43)

During the Reporting Period, benefiting from increasing sales volume and rising prices, profit before taxation of the Group amounted to RMB2,342,720,000, an increase of 46.27% over that in the corresponding period of last year. Net profit attributable to equity shareholders of the Company recorded a period-on-period increase of 38.51%.

During the Reporting Period, the net cash flow from operating activities of the Group dropped by 92.43% as compared with that in the corresponding period of last year. For details, please refer to the analysis on “Liquidity and sources of funds”.

## IV. Management Discussion and Analysis

### Gross margin by type of product for the six months ended 30 June 2010 and comparison with that of the corresponding period of last year

Product	Revenue from principal activities (RMB'000)	Cost of principal activities (RMB'000)	Gross margin during the Reporting Period (%)	Gross margin for the same period last year (%)	Change of gross margin in percentage points from that of the corresponding period of last year
42.5 grade cement	7,233,233	5,380,183	25.62	24.62	1.00
32.5 grade cement	3,445,081	2,401,200	30.30	29.24	1.06
Clinker	3,003,999	2,424,869	19.28	20.53	(1.25)
Total	13,682,313	10,206,252	25.41	25.45	(0.04)

During the Reporting Period, in spite of the rising coal prices that resulted in an increase in the Company's purchase costs of raw materials, the Group actively expanded its procurement channels and continued its efforts on energy saving and emission reduction, and at the same time, fully capitalized on its comparative advantages to increase the selling price of products. Accordingly, the consolidated gross margin was basically the same as that of last year and the consolidated gross margin rose by RMB3.13/tonne to RMB55.35/tonne over that in the same period of last year.

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

Expenses for the period	Amount for the Reporting Period (RMB'000)	Amount for the same period last year (RMB'000)	As a percentage 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 points)
Selling expenses	711,731	704,118	5.20	6.32	(1.12)
Administrative expenses	443,026	410,131	3.24	3.68	(0.44)
Financial expenses (net)	232,320	184,323	1.70	1.65	0.05
Total	1,387,077	1,298,572	10.14	11.65	(1.51)

During the Reporting Period, the selling expenses, administrative expenses and financial expenses of the Group were controlled effectively and, in aggregate, accounted for 10.14% of the revenue from principal activities, representing a period-on-period decrease of 1.51 percentage points. Among which, selling expenses as a percentage to revenue from principal activities dropped by 1.12 percentage points as compared to that in the corresponding period of last year.



## IV. Management Discussion and Analysis

### FINANCIAL POSITION

#### *Assets and liabilities structure*

As at 30 June 2010, the Group's total assets, total liabilities and equity attributable to shareholders of the Company, prepared in accordance with the PRC Accounting Standards, amounted to RMB52,388,704,800, RMB22,229,039,600 and RMB29,556,163,400 respectively, representing an increase of 11.11%, 24.56% and 2.77% respectively as compared to those at the end of the previous year.

As at 30 June 2010, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 42.43%, an increase of 4.58 percentage points as compared to that at the end of the previous year.

#### **Change in assets and liabilities prepared in accordance with the PRC Accounting Standards**

<b>Item</b>	<b>As at 30 June 2010 (RMB'000)</b>	<b>As at 31 December 2009 (RMB'000)</b>	<b>Change as at the end of the Reporting Period to those as at the beginning of the year (%)</b>
Fixed assets	<b>28,408,083</b>	25,609,417	10.93
Current and other assets	<b>23,980,622</b>	21,539,081	11.34
Total assets	<b>52,388,705</b>	47,148,498	11.11
Current liabilities	<b>11,741,706</b>	12,073,311	(2.75)
Non-current liabilities	<b>10,487,334</b>	5,772,307	81.68
Minority interests	<b>603,502</b>	543,241	11.09
Equity attributable to the equity shareholders of the Company	<b>29,556,163</b>	28,759,639	2.77
Total liabilities and shareholders' equity	<b>52,388,705</b>	47,148,498	11.11

#### **Liquidity and sources of funds**

As at 30 June 2010, the Group's total current assets and total current liabilities, prepared in accordance with the PRC Accounting Standards, were RMB10,984,990,800 and RMB11,741,705,600 respectively. The current ratio was 0.94:1, as compared to 0.84:1 as at the end of the previous year.

## IV. Management Discussion and Analysis

As at 30 June 2010, the Group's total current assets and total current liabilities, prepared in accordance with IFRS, were RMB11,459,937,800 and RMB11,741,705,600 respectively. The net gearing ratio was 0.41, as compared to 0.21 as at the end of the previous year.

Maturity analysis of bank loans and other borrowings of the Group as at 30 June 2010 was as follows:

	<b>As at 30 June 2010 (RMB'000)</b>	As at 31 December 2009 (RMB'000)
Due within 1 year	<b>4,558,655</b>	4,183,280
Due after 1 year but within 2 years	<b>2,176,890</b>	1,279,130
Due after 2 years but within 5 years	<b>7,258,610</b>	3,390,310
Due after 5 years	<b>808,909</b>	724,182
<b>Total</b>	<b>14,803,064</b>	9,576,902

During the Reporting Period, the Group had borrowings due after 2 years but within 5 years of RMB7,258,610,000, an increase of RMB3,868,300,000, mainly attributable to the Group's borrowings from Conch Holdings, the controlling shareholder, in the sum of RMB4.5 billion.

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

	<b>Six months ended 30 June 2010 (RMB'000)</b>	Six months ended 30 June 2009 (RMB'000)
Net cash flows generated from operating activities	<b>332,963</b>	4,400,424
Net cash flows generated from investing activities	<b>(5,596,995)</b>	(3,483,189)
Net cash flows generated from financing activities	<b>4,374,721</b>	(2,679,350)
Net increase in cash and cash equivalents	<b>(889,311)</b>	(1,762,115)
Balance of cash and cash equivalents at the beginning of the period	<b>3,572,876</b>	6,751,211
Balance of cash and cash equivalents at the end of the period	<b>2,683,565</b>	4,989,096

## IV. Management Discussion and Analysis

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB332,963,300, representing a decrease of RMB4,067,461,100 as compared with that in the same period of last year. Such decrease was mainly due to the maturity and payment of a large number of bank acceptance bills, increase in inventory in line with expansion of production capacity and increase in bank acceptance bills due from customers; where the significant amount in net cash flows generated from operating activities in the corresponding period of last year was primarily attributable to the recovery of cash upon maturity of bank acceptance bills due from customers and the decrease in cash outflows through the issuance of bank acceptance bills to settle the payment for purchases from suppliers.

During the Reporting Period, the Group's net cash outflows from investing activities amounted to RMB5,596,995,300, an increase of RMB2,113,806,600 over that in the same period of last year, mainly due to the increase in cash outflow for investment activities in the Group's construction projects made during the Reporting Period.

During the Reporting Period, the Group's net cash inflows from financing activities amounted to RMB4,374,720,800, an increase of RMB7,054,071,200 over that in the same period of last year, primarily as a result of the increase in borrowings of the Group during the Reporting Period, as compared to the relatively less amount in net cash flows from financing activities due to the repayment of borrowings and maturity of discounted bank acceptance bills in the same period of last year.

### Capital Expenditure

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB4,609 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 30 June 2010, capital commitments in respect of the purchase of machinery and equipment for production that were committed but have not been provided for in the accounts were set out as follows:

	<b>As at 30 June 2010 (RMB'000)</b>	<b>As at 31 December 2009 (RMB'000)</b>
Authorized and contracted for	<b>5,674,260</b>	4,409,166
Authorized but not contracted for	<b>5,828,896</b>	10,016,547
<b>Total</b>	<b>11,503,156</b>	14,425,713

## IV. Management Discussion and Analysis

### INVESTMENT IN PROJECTS

#### 1. Use of proceeds from fund raising exercise and progress of investment projects funded by such proceeds during the Reporting Period

The net proceeds (“Proceeds”) raised from the public offer of shares of the Company in 2008 amounted to RMB11,282,060,000. As at 30 June 2010, the Company utilized RMB10,494,020,000 of the Proceeds and the balance of the Proceeds amounted to RMB888,690,000. Of which, the interests earned from the Proceeds amounted to RMB100,650,000. During the Reporting Period, the Proceeds were used by the Group in the following projects:

(Unit: RMB10,000)

Item	Description of the projects	Progress of the project	Fund used during the Reporting Period	Gain from the project during the Reporting Period
1	4×4,500t/d cement and clinker production lines project of Chizhou Conch	Two in operation Two under construction	3,040.00	1,055.56
2	2×4,500t/d cement and clinker production lines project of Yiyang Conch	One in operation One under construction	20,773.00	313.58
3	4,500t/d cement and clinker production line project (phase two) of Shuangfeng Conch	In operation	2.00	2,346.06
4	4,000t/d cement and clinker production line project of Hunan Conch	In operation	393.00	92.18
5	4,000t/d cement and clinker production line project of Xing’an Conch	In operation	2,224.15	7,897.37
6	4,000t/d cement and clinker production line project (phase one) of Beiliu Conch	In operation	449.00	4,857.68
7	4,500t/d cement and clinker production line project (phase two) of Beiliu Conch	In operation	1,107.00	5,440.32
8	2×18MW residual heat electricity generation projects of Chizhou Conch	One in operation One under construction	615.60	2,438.04
9	18MW residual heat electricity generation project of Zongyang Conch	In operation	91.00	2,183.59

## IV. Management Discussion and Analysis

		(Unit: RMB10,000)		
Item	Description of the projects	Progress of the project	Fund used during the Reporting Period	Gain form the project during the Reporting Period
10	12MW residual heat electricity generation project of Baimashan Cement Plant of Anhui Conch Cement Co., Ltd	In operation	342.00	1,833.68
11	18MW residual heat electricity generation project of Huaining Conch	In operation	6.00	3,703.36
12	11.6MW and 17MW residual heat electricity generation projects of Chizhou Conch	In operation	11.00	4,187.48
13	15MW and 18.5MW residual heat electricity generation projects of Zongyang Conch	In operation	16.00	6,304.52
14	The technology upgrade of the 18MW pure low temperature residual heat electricity generation project of Beiliu Conch	In operation	802.00	2,903.15
15	The technology upgrade of the 18MW pure low temperature residual heat electricity generation project of Xing'an Conch	In operation	966.52	2,890.10
16	18MW pure low temperature residual heat electricity generation project of Shimen Conch	In operation	1.00	1,227.87
17	18MW residual heat electricity generation project of Shuangfeng Conch	In operation	126.00	3,250.45
18	9.1MW residual heat electricity generation project of Hunan Conch	In operation	75.00	1,270.59
19	The spare parts processing centre project of Anhui Conch Machinery & Electric Co., Ltd.	In operation	602.50	3,146.06
20	The new dry-process kiln for urban waste treatment project of Tongling Conch	In operation	313.63	-
21	The energy conservation technology upgrade project of the Company	Completed	1,749.00	1,928.75
22	The optimization of financial structure and repayment of bank loans project	Repaid	5,011.60	-
<b>Total</b>			<b>38,717.00</b>	<b>59,270.39</b>

## IV. Management Discussion and Analysis

### 2. Major projects during the Reporting Period using funds other than the Proceeds

Item	Description of Project	Progress of the project	Fund used during the Reporting Period (RMB10'000)
1	Project of 2×4,500t/d cement and clinker production lines (phase one) and 18MW residual heat electricity generation unit and 4.40 million tonnes cement grinding unit of Liquan Conch	Under construction	56,362.00
2	Project of 4,500t/d clinker production line, 9MW residual heat electricity generation unit and 2.20 million tonnes cement grinding unit of Qianyang Conch	Under construction	34,137.84
3	Project of 4,500t/d clinker production line and 9MW residual heat electricity generation unit of Jining Conch	Under construction	30,496.73
4	Project of 2×4,500t/d clinker production lines and 2.00 million tonnes cement grinding and 9MW residual heat electricity generation unit of Quanjiao Conch	In partial operation	22,547.69
5	Project of 2×12,000t/d clinker production lines (phase three) and 36MW residual heat electricity generation unit of Wuhu Conch	Under construction	15,453.76
6	Project of 4,000t/d clinker production line (phase two) and 9MW residual heat electricity generation unit of Jiande Conch	Under construction	15,503.04
7	Project of 4,500t/d clinker production line and 2.20 million tonnes cement grinding and 9MW residual heat electricity generation unit of Linxiang Conch	In operation	14,755.45
8	Project of 2×5,000t/d clinker production lines and cement grinding with an annual production capacity of 4.40 million tonnes and 18MW residual heat electricity generation unit of Guangdong Qingxin Cement Co., Ltd.	In partial operation	14,700.54
9	Project of 4,500t/d clinker production line (phase three) and 9MW residual heat electricity generation unit of Xinning Conch	Under construction	12,273.05
10	Project of the 4.40 million tonnes cement grinding and ancillary terminal of Xiangshan Conch Cement Co., Ltd.	Under construction	14,724.00
<b>Total</b>			<b>230,954.10</b>

## IV. Management Discussion and Analysis

### 3. Investment in project companies during the Reporting Period

During the Reporting Period, the following project companies were invested and established by the Company:

Item	Company name	Place of registration	Registered capital (RMB)	Percentage of shareholding by the Company
1	Suzhou Conch Cement Co., Ltd.	Suzhou, Anhui Province	200,000,000	100%
2	Huangshan Conch Cement Co., Ltd.	Huangshan, Anhui Province	80,000,000	100%
3	Huazhou Conch Cement Co., Ltd.	Maoming, Guangdong Province	200,000,000	100%

### 4. Acquisition of project companies during the Reporting Period

During the Reporting Period, the Company entered into a share transfer agreement with shareholders of Longling Huihe Cement Co., Ltd. (hereafter as “Longling Company”) for the acquisition of 100% equity interests of Longling Company. As at 30 June 2010, the procedures for the transfer of equity interests were still in process.

Located in Longling County, Yunnan Province, Longling Company has a registered capital of RMB35,000,000 and its project of 2,500t/d cement and clinker production line utilizing the new dry-process, cement grinding with an annual production capacity of 1.20 million tonnes and 4.5MW residual heat electricity generation unit is under construction.

## PROSPECTS FOR THE SECOND HALF OF THE YEAR

Looking into the second half of 2010, the PRC economy will enter the critical period to bottom out and recover from the crisis. Uncertainties remain in the macro-economic growth. The PRC government will maintain positive fiscal policies and moderately relaxed monetary policies to facilitate the healthy development of the PRC economy.



## IV. Management Discussion and Analysis

In the second half of the year, benefiting from the PRC government's increased efforts in the development of water facilities, the pushing ahead of the renovation project of low-income housing and shanty areas and the acceleration of the infrastructural development in Central and West China, demand for cement will maintain steady growth. Meanwhile, the PRC government will step up its efforts in energy saving and emission reduction; and accelerate the phasing out of obsolete production capacities. Pursuant to the notice issued by the Ministry of Industry and Information Technology on 8 August 2010, a total of 762 cement enterprises will be shut down by the end of September 2010, phasing out obsolete production capacity of 107,277,000 tonnes in aggregate. Pursuant to the relevant requirements of Guo Fa [2010] No.7 Document, by the end of 2012, vertical kilns with a diameter of less than 3.0m, dry hollow kilns and wet kilns with a diameter of less than 2.5m and cement grinding unit with a diameter of less than 3.0m shall be phased out. Moreover, the PRC government will continue to limit the approval for newly developed cement projects to prevent overly rapid growth of cement productivity, and strongly support industry consolidation and restructuring as well as optimization and upgrade of industry structure. Concentration of cement industry will increase steadily with a more balanced demand and supply. (Source: [www.miit.gov.cn](http://www.miit.gov.cn))

In this regard, looking into the second half of the year, by focusing on the enhancement of the overall quality of operations, the Group will steadily push forward the development of the new projects under the plan of the Group, and based on the nations' needs, adjust the PRC cement industry structure, seek appropriate project targets and proceed with acquisition as and when conditions mature, and persist to expand its market share in various regions. In terms of operational management, the Group will optimize the indicator management, effectively capitalize on its production capacity, adhere to energy saving and emission reduction, strengthen indicator management, strictly monitor various operating costs, continue to improve the internal organization and system development, and further enhance the risk prevention ability and operational quality of the enterprise with a view to maximizing the value for its shareholders.

## V. Significant Events

### (1) CORPORATE GOVERNANCE

The Company operated in accordance with the Company Law, Securities Law, the Articles of the Company and domestic and foreign listing rules. The Company's general meetings, the Board, the supervisory committee and other professional committees discharged their respective duties with check and balance from each other and made their respective decisions in an independent, efficient and transparent manner. During the Reporting Period, the Company held one general meeting, two meetings of the Board, three meetings of the audit committee (including one on-site meeting and 2 meetings convened by means of telecommunications), one meeting of the remuneration and nomination committee of the Board and two meetings of the supervisory committee (including one on-site meeting and 2 meetings convened by means of telecommunications).

During the Reporting Period, the Company continued to improve the structure of its internal control system in accordance with the domestic and foreign regulatory requirements. To enhance the level of the corporate governance of the Company, the Company formulated the "Administrative Measures for Persons Who Have Access to Insider Information and Users of Information from External Sources", "Measures for Accountability Concerning Material Discrepancies of Information Disclosed in Annual Reports" and "Administrative Measures to Prevent the Misappropriation of Company's Funds by its Controlling Shareholder and Connected Persons".

### (2) IMPLEMENTATION OF THE PROFIT DISTRIBUTION PROPOSAL

On 3 June 2010, the resolution of the profit distribution proposal for the year 2009 was passed at the annual general meeting of the Company for year 2009. Based on the total number of issued shares of the Company of 1,766,434,193 shares, the Company has paid a cash dividend of RMB3.50 (tax inclusive) for every 10 shares to all the shareholders. After deducting tax, a cash dividend of RMB3.15 was paid for every 10 shares held and the total amount of dividend paid was RMB618,251,968 (tax inclusive); and one share was issued for every one existing share held by way of capitalization of the capital reserve fund. As at 24 June 2010, the above dividend was paid and the shares under the capitalization of the capital reserve fund were issued and allotted to all the shareholders whose names were recorded on the register of members on the record date.

No profit distribution proposal was implemented by the Company and no surplus reserve was transferred to share capital during the first half of 2010.

### (3) MATERIAL LITIGATION AND ARBITRATION

During the six months ended 30 June 2010, the Group was not involved in any litigation or arbitration which might have a material impact on the Group's business operation and management, nor was any of the Directors, supervisors or members of senior management of the Company involved in any material litigation or arbitration.

## V. Significant Events

### (4) SHAREHOLDINGS IN OTHER LISTED COMPANIES

As at the end of the Reporting Period, details of the Company's shareholdings in other listed companies were set out as follows:

Stock code	Short name	Initial investment amount (RMB)	Proportion of equity interest of that Company (%)	Carrying amount as at the end of the Reporting Period (RMB)	Profit/loss recognized during the Reporting Period (RMB)	Change in equity interest during the Reporting Period (RMB)
600318	Chaodong Cement	98,019,695	16.28	248,129,910	-	(41,068,454)
000401	Jidong Cement	1,523,332,729	11.05	1,998,838,014	-	(340,339,570)
000885	Tongli Cement	44,349,667	2.12	56,038,367	-	(14,663,996)
Total		1,665,702,091	-	2,303,006,291	-	(396,072,020)

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

### (5) ACQUISITIONS OF MATERIAL ASSETS

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

### (6) CONNECTED TRANSACTIONS

During the Reporting Period, the Group entered into the following connected transactions under the Listing Rules of SSE and the Listing Rules of Stock Exchange:

#### 1. Use of trademark

On 23 September 1997, the Company and its controlling shareholder, Conch Holdings entered into the trademark licensing agreement ("Trademark Licensing Agreement"), pursuant to which the Company may use the permitted trademarks (including trademarks such as "海螺" and "Conch") on permitted products in permitted regions pursuant to the period as set out in the terms of the Trademark Licensing Agreement. The valid period of the Trademark Licensing Agreement shall be the same as the valid period of the permitted trademarks, and should the valid period of the permitted trademarks be extended, the Trademark Licensing Agreement in respect of the trademarks shall be extended automatically. Pursuant to the Trademark Licensing Agreement, the Company is required to pay RMB1.513 million per annum for the use of the trademark to Conch Holdings.

During the Reporting Period, the Group had not yet made the above payment to Conch Holdings.

### 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 Yingde Longshan Cement Co., Ltd. (“Longshan Company”) 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 will expire on 31 December 2010.

Longshan Company is wholly owned by Prosperity Cement Investment Limited (“Prosperity Cement”). Each of Longshan Company and Prosperity Cement is an associate of Prosperity Minerals (International) Limited (“Prosperity Minerals”), as Longshan Company, Prosperity Cement and Prosperity Minerals are fellow subsidiaries of the same common holding company. Prosperity Minerals is a substantial shareholder of Prosperity Conch Cement Co., Ltd. (“Prosperity Conch”, which is held as to 75% by the Company), a non wholly-owned subsidiary of the Company and holds the remaining 25% equity interests. Under the Listing Rules of the Stock Exchange, Longshan Company is a connected person of the Company and the above-mentioned transactions constitute continuing connected transactions. As Mr. Wu Jianping, an executive Director of the Company, serves as a director and general manager of Longshan Company, under the Listing Rules of SSE, Longshan Company is a connected person of the Company; and accordingly the above transactions constitute connected transactions.

The purchase price of clinker was determined with reference to market prices, and after negotiation between the Group and Longshan Company, which purchase price shall not be higher than that offered to other independent customers by Longshan Company. 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 Company or other independent suppliers.

During the Reporting Period, the purchase price for clinker procured from Longshan Company by Jiangmen Conch was settled by its working capital on a monthly basis. During the Reporting Period, Jiangmen Conch procured clinker from Longshan Company for an amount of RMB57.91 million, which did not exceed the annual cap for year 2010 of RMB100 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 transactions were not subject to the approval of independent shareholders in general meeting.

## V. Significant Events

### 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 Company 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 Company. The term of the agreement commenced from 1 January 2008 and will expire on 31 December 2010.

The prices of spare parts and production ancillary materials offered by Prosperity Conch and Longshan Company 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 Company was settled by their respective working capital on a monthly basis. During the Reporting Period, the amount of spare parts and production ancillary materials procured by Prosperity Conch from Longshan Company was RMB2.14 million; and the amount of spare parts and production ancillary materials procured by Longshan Company from Prosperity Conch was RMB3.24 million, neither of which exceeded the annual cap for year 2010 of RMB12 million and RMB9.5 million respectively 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. Residual heat electricity generation projects

On 25 June 2010, as approved by the Board of the Company, the Company and Conch Kawasaki Engineering entered into a supply and design of equipment contract, pursuant to which Conch Kawasaki Engineering would provide a whole set of equipment and design services for the construction of residual heat electricity generation projects for certain subsidiaries of the Company. The aggregate contract amount was RMB505.35 million.

Conch Kawasaki Engineering is a sino-foreign equity joint venture enterprise established in the PRC. As Mr. He Chengfa, a deputy general manager of the Company serves as the chairman of Conch Kawasaki Engineering, pursuant to the Listing Rules of the SSE, Conch Kawasaki Engineering is a connected person of the Company; as such, the above transaction constituted a connected transaction. The above transaction did not constitute a connected transaction under the Listing Rules of the Stock Exchange.

In respect of the transaction between the Company and Conch Kawasaki Engineering, the purchase price for the equipment was 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 (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, but shall not be higher than that offered by Conch Kawasaki Engineering to independent customers.

During the Reporting Period, for the sole purpose of the performance of the above supply and design of equipment contract, the Group has not yet paid the relevant equipment price and design fee to Conch Kawasaki Engineering. With respect to the performance of related contracts for previous years, the total equipment price and design fee paid to Conch Kawasaki Engineering during the Reporting Period amounted to RMB145.69 million.

Please refer to the announcements of the Company dated 25 June 2010 (published on the website of the Stock Exchange) and dated 26 June 2010 (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. Purchase of milling equipment

On 25 June 2010, 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 8 sets of milling equipment to be installed at the clinker production lines of certain subsidiaries of the Company. The total contract price was RMB192 million.

Conch Kawasaki Equipment is a sino-foreign equity joint venture enterprise established in the PRC. As Mr. Ji Qinying, an executive Director and the general manager of the Company serves as the chairman of the board of directors of Conch Kawasaki Equipment and Mr. He Chengfa, a deputy general manager of the Company serves as a director of Conch Kawasaki Equipment, pursuant to the Listing Rules of the SSE, Conch Kawasaki Equipment is a connected person of the Company; as such, the above transaction constituted a connected transaction. The above transaction did not constitute a connected transaction under the Listing Rules of the Stock Exchange.

The contract price was agreed between the parties which was determined in accordance with the costs of the equipment, with reference to the prevailing market prices of such equipment and the price charged by Conch Kawasaki Equipment to other customers, but shall not be higher than that offered by Conch Kawasaki Equipment to independent customers.

During the Reporting Period, for the sole purpose of the performance of the above milling equipment supply contract, the Group has not yet paid the relevant equipment price to Conch Kawasaki Equipment. With respect to the performance of related contracts for previous years, the total equipment price paid to Conch Kawasaki Equipment during the Reporting Period amounted to RMB133.70 million.

Please refer to the announcements of the Company dated 25 June 2010 (published on the website of the Stock Exchange) and dated 26 June 2010 (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. Design of cement and clinker projects

On 25 June 2010, as approved by the Board of the Company, the Company and Conch Design entered into a design and technical service contract, pursuant to which Conch Design agreed to provide services including design and technical modification of clinker production lines and grinding mill systems for certain subsidiaries of the Company. The contract price was RMB78.13 million.

Conch Design is a wholly-owned subsidiary of Conch Holdings. Pursuant to the Listing Rules of the Stock Exchange, Conch Design is an associate of Conch Holdings and is therefore a connected person of the Company; as such, the above transaction constituted a connected transaction. Pursuant the Listing Rules of the SSE, Conch Design is a connected person of the Company; as such, the above transaction constituted a connected transaction.

The design fee was determined by the parties after arm's-length negotiation with reference to the Scale Charge for Project Design promulgated by the National Development and Reform Commission and Ministry of Construction in 2002 and the project scale, investment amount, scope of design, standard of technology and the prevailing market prices. The design fee will be settled according to the project progress.

During the Reporting Period, for the sole purpose of the performance of the above composite project design contract, the Group paid the relevant design fee of RMB2.996 million to Conch Design. Taking into account the aforesaid contract and the related contracts in previous years, the total design fee paid to Conch Design during the Reporting Period amounted to RMB18.284 million.

Please refer to the announcements of the Company dated 25 June 2010 (published on the website of the Stock Exchange) and dated 26 June 2010 (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.



## V. Significant Events

### 7. Loans from Conch Holdings, the controlling shareholder

In order to further support the Company's operation and development, optimise the Company's financial structure and reduce its financial costs, it was agreed that Conch Holdings would advance part of the fund raised from the issue of its medium term notes to the Group for the construction of energy conservation technology upgrade project (including residual heat electricity generation project and terminal), improvement of financing structure and replenishment of liquidity. On 1 February 2010, as approved by the Board of the Company, the Group was authorized to obtain a loan from Conch Holdings for an amount of not more than RMB4.8 billion with an annual interest rate of 4.83% and a term commencing from the withdrawal of the fund from the bank account of Conch Holdings to 24 January 2013. During the Reporting Period, the Group borrowed a total of RMB4.5 billion from Conch Holdings.

Please refer to the announcements of the Company dated 1 February 2010 (published on the website of the Stock Exchange and the website of the Company) and dated 2 February 2010 (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.

### (7) MATERIAL CONTRACTS

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

#### 2. Guarantees

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

During the Reporting Period, the guarantees provided by the Company for its subsidiaries amounted to RMB1,110 million, all being guarantees for collateral liabilities; as at 30 June 2010, the balance of guarantees provided by the Company for its subsidiaries amounted to RMB5,625 million, representing 18.53% of the net assets of the Company.

## V. Significant Events

During the Reporting Period, the Company had not provided any guarantee for its controlling shareholder, beneficial controlling shareholders, other related parties and any other entities which are not legal persons or individuals. The aggregate amount of guarantees provided by the Company did not exceed 50% of the Company's latest audited net assets. The amount of guarantee provided by the Company to its controlling subsidiaries with a gearing ratio of over 70% was nil.

As at 30 June 2010, Ningguo Cement Plant and Baimashan Cement Plant of Anhui Conch Cement Co., Ltd., branch companies of the Company, pledged their assets of a book value of approximately RMB699 million to International Finance Corporation as security for their long-term loan in the sum of RMB650 million.

### **(8) APPROPRIATION OF FUND OF THE COMPANY BY CONTROLLING SHAREHOLDER AND ITS SUBSIDIARIES**

During the Reporting Period, none of the controlling shareholder or its subsidiaries had appropriated fund of the Company.

### **(9) AUDIT COMMITTEE**

The Audit Committee was established by the Company. The terms of reference adopted by the Audit Committee complied with the requirements of the Code Provisions. The Audit Committee is responsible for the review and supervision of financial reporting procedures and the internal control system of the Group as well as the provision of advice and recommendations to the Board of the Company. The Audit Committee has reviewed the interim report of year 2010.

### **(10) OTHER SIGNIFICANT EVENTS**

The resolution on the issuance of corporate bonds in China with a total principal amount of no more than RMB9.5 billion in China was considered and approved at the annual general meeting of the Company for the year 2008 held on 5 June 2009. Such resolution will be effective for 24 months. At the end of the Reporting Period, the aforesaid issuance of corporate bonds was still subject to the approval by the relevant authority.

## V. Significant Events

### (11) INDEX OF OTHER INFORMATION

During the Reporting Period, the following material information was published by the Company on the newspaper circulating in China:

No.	Events	Date of Publication	Sources	Page No.
1	Clarification announcement	2010-01-20	Shanghai Securities Journal	B15
2	Announcement on the resolution of the Board	2010-02-02	Shanghai Securities Journal	B24
3	Indicative announcement	2010-02-02	Shanghai Securities Journal	B24
4	Condensed Report on Changes in Equity	2010-02-02	Shanghai Securities Journal	B24
5	Announcement on the resolution of the Board	2010-03-30	Shanghai Securities Journal	B210
6	Announcement on the resolution of the supervisory committee	2010-03-30	Shanghai Securities Journal	B210
7	Summary of 2009 annual report	2010-03-30	Shanghai Securities Journal	B210
8	Announcement on expected growth in the first quarterly results of 2010	2010-04-08	Shanghai Securities Journal	B10
9	Notice of the 2009 annual general meeting	2010-04-16	Shanghai Securities Journal	B68
10	2010 first quarterly report	2010-04-28	Shanghai Securities Journal	B138
11	Announcement on the listing of the floating shares with trading restrictions under non-public issue	2010-05-21	Shanghai Securities Journal	B16

## V. Significant Events

<b>No.</b>	<b>Events</b>	<b>Date of Publication</b>	<b>Sources</b>	<b>Page No.</b>
12	Poll results announcement of annual general meeting for year 2009	2010-06-04	Shanghai Securities Journal	B28
13	Announcement on the resolutions passed at first meeting of the fifth session of the Board	2010-06-04	Shanghai Securities Journal	B28
14	Announcement on the resolutions passed at the first meeting of the fifth session of the supervisory committee	2010-06-04	Shanghai Securities Journal	B28
15	Announcement on distribution of dividends and capitalization of the capital reserve fund for year 2009	2010-06-10	Shanghai Securities Journal	B1
16	Announcement on connected transactions	2010-06-26	Shanghai Securities Journal	20

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

## VI. Financial Accounting Report (Unaudited)

### Consolidated income statement

for the six months ended 30 June 2010 – unaudited  
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2010 RMB'000	2009 RMB'000
<b>Revenue</b>	3&4	<b>13,868,274</b>	11,236,056
Cost of sales and services rendered		<b>(10,412,538)</b>	(8,426,686)
<b>Gross profit</b>		<b>3,455,736</b>	2,809,370
Other revenue	5	<b>306,026</b>	170,936
Other net income	5	<b>6,024</b>	7,369
Selling and marketing costs		<b>(711,731)</b>	(704,118)
Administrative expenses		<b>(441,598)</b>	(410,258)
<b>Profit from operations</b>		<b>2,614,457</b>	1,873,299
Finance costs	6(a)	<b>(257,230)</b>	(257,450)
Share of (losses)/profits of associates		<b>(1,201)</b>	434
Share of profits/(losses) of jointly controlled entities		<b>3,779</b>	(295)
<b>Profit before taxation</b>	6	<b>2,359,805</b>	1,615,988
Income tax	7	<b>(485,765)</b>	(305,102)
<b>Profit for the period</b>		<b>1,874,040</b>	1,310,886
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>1,797,514</b>	1,274,089
Non-controlling interests		<b>76,526</b>	36,797
<b>Profit for the period</b>		<b>1,874,040</b>	1,310,886
<b>Earnings per share</b>	9		
Basic (restated)		<b>RMB0.51</b>	RMB0.36
Diluted (restated)		<b>RMB0.51</b>	RMB0.36

The notes on pages 48 to 71 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 17.

## VI. Financial Accounting Report (Unaudited)

### Consolidated statement of comprehensive income

for the six months ended 30 June 2010 – unaudited  
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2010 RMB'000	2009 RMB'000
<b>Profit for the period</b>		<b>1,874,040</b>	1,310,886
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>			
Available-for-sale equity securities: net movement in fair value reserve	8	<b>(396,072)</b>	520,685
<b>Total comprehensive income for the period</b>		<b>1,477,968</b>	1,831,571
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>1,401,442</b>	1,794,774
Non-controlling interests		<b>76,526</b>	36,797
<b>Total comprehensive income for the period</b>		<b>1,477,968</b>	1,831,571

The notes on pages 48 to 71 form part of this interim financial report.

## VI. Financial Accounting Report (Unaudited)

### Consolidated balance sheet

at 30 June 2010 – unaudited  
(Expressed in Renminbi Yuan)

	Note	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
<b>Non-current assets</b>			
Fixed assets	10		
– Property, plant and equipment		<b>34,898,803</b>	31,526,436
– Interests in leasehold land held for own use under operating leases		<b>1,712,769</b>	1,458,659
		<b>36,611,572</b>	32,985,095
Intangible assets		<b>572,892</b>	476,416
Goodwill		<b>16,120</b>	16,120
Interest in associates		<b>158,163</b>	159,364
Interest in jointly controlled entities		<b>826,216</b>	321,996
Loans and receivables		<b>231,739</b>	131,862
Available-for-sale equity securities	11	<b>2,303,006</b>	2,343,992
Deferred tax assets		<b>66,431</b>	60,250
		<b>40,786,139</b>	36,495,095
<b>Current assets</b>			
Inventories	12	<b>3,124,062</b>	2,172,191
Trade receivables	13	<b>3,574,564</b>	3,030,137
Prepayments and other receivables		<b>1,464,340</b>	1,183,945
Amounts due from related parties	18(e)	<b>522,902</b>	479,907
Tax recoverable		<b>25,067</b>	15,637
Restricted cash deposits		<b>65,439</b>	54,163
Cash and cash equivalents	14	<b>2,683,565</b>	3,572,876
		<b>11,459,939</b>	10,508,856

The notes on pages 48 to 71 form part of this interim financial report.

## VI. Financial Accounting Report (Unaudited)

### Consolidated balance sheet (cont'd)

at 30 June 2010 – unaudited  
(Expressed in Renminbi Yuan)

	Note	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
<b>Current liabilities</b>			
Trade payables	16	3,388,886	4,274,803
Other payables and accruals		3,086,840	2,969,563
Bank loans and other borrowings	15	4,558,655	4,183,280
Amounts due to related parties	18(e)	343,409	287,003
Current portion of long-term payables		15,532	15,822
Current taxation		348,383	342,838
		<b>11,741,705</b>	12,073,309
<b>Net current liabilities</b>			
		<b>(281,766)</b>	(1,564,453)
<b>Total assets less current liabilities</b>			
		<b>40,504,373</b>	34,930,642
<b>Non-current liabilities</b>			
Bank loans and other borrowings	15	10,244,409	5,393,622
Long-term payables		68,684	72,375
Deferred income		356,116	338,187
Deferred tax liabilities		169,803	301,723
		<b>10,839,012</b>	6,105,907
<b>NET ASSETS</b>			
		<b>29,665,361</b>	28,824,735
<b>CAPITAL AND RESERVES</b>			
Share capital		3,532,868	1,766,434
Reserves		25,537,662	26,520,906
<b>Total equity attributable to equity shareholders of the Company</b>			
		<b>29,070,530</b>	28,287,340
<b>Non-controlling interests</b>			
		<b>594,831</b>	537,395
<b>TOTAL EQUITY</b>			
		<b>29,665,361</b>	28,824,735

The notes on pages 48 to 71 form part of this interim financial report.



## VI. Financial Accounting Report (Unaudited)

### Consolidated statement of changes in equity

for the six months ended 30 June 2010 – unaudited  
(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Fair value reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2009</b>	1,766,434	13,776,659	38,727	471,506	(12,220)	8,380,367	24,421,473	465,847	24,887,320
<b>Changes in equity for the six months ended 30 June 2009:</b>									
Total comprehensive income for the period	-	-	-	-	520,685	1,274,089	1,794,774	36,797	1,831,571
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	-	-	-	-	-	(529,930)	(529,930)	-	(529,930)
<b>Balance at 30 June 2009 and 1 July 2009</b>	1,766,434	13,776,659	38,727	471,506	508,465	9,124,526	25,686,317	453,644	26,139,961
<b>Changes in equity for the six months ended 31 December 2009:</b>									
Total comprehensive income for the period	-	-	-	-	369,176	2,231,847	2,601,023	83,751	2,684,774
Additional appropriations to reserves due to partial disposal of a subsidiary	-	-	-	360	-	(360)	-	-	-
Appropriations to reserves	-	-	-	287,140	-	(287,140)	-	-	-
<b>Balance at 31 December 2009</b>	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 48 to 71 form part of this interim financial report.

## VI. Financial Accounting Report (Unaudited)

### Consolidated statement of changes in equity

for the six months ended 30 June 2010 – unaudited

(Expressed in Renminbi Yuan)

Note	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory	Fair	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
				surplus reserve RMB'000	value reserve RMB'000				
Balance at 1 January 2010	1,766,434	13,776,659	38,727	759,006	877,641	11,068,873	28,287,340	537,395	28,824,735
<b>Changes in equity for the six months ended 30 June 2010:</b>									
Total comprehensive income for the period	-	-	-	-	(396,072)	1,797,514	1,401,442	76,526	1,477,968
Dividends declared by non-wholly owned subsidiaries to minority shareholders	-	-	-	-	-	-	-	(19,090)	(19,090)
Capitalisation issue	17	1,766,434	(1,766,434)	-	-	-	-	-	-
Dividends approved in respect of the previous year	17	-	-	-	-	(618,252)	(618,252)	-	(618,252)
<b>Balance at 30 June 2010</b>	<b>3,532,868</b>	<b>12,010,225</b>	<b>38,727</b>	<b>759,006</b>	<b>481,569</b>	<b>12,248,135</b>	<b>29,070,530</b>	<b>594,831</b>	<b>29,665,361</b>

The notes on pages 48 to 71 form part of this interim financial report.

## VI. Financial Accounting Report (Unaudited)

### Condensed consolidated cash flow statement

for the six months ended 30 June 2010 – unaudited  
(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
<b>Net cash (used in)/generated from operating activities</b>	<b>(6,685)</b>	4,124,283
<b>Net cash used in investing activities</b>	<b>(5,596,995)</b>	(3,483,189)
<b>Net cash generated from/(used in) financing activities</b>	<b>4,714,369</b>	(2,427,579)
<b>Net decrease in cash and cash equivalents</b>	<b>(889,311)</b>	(1,786,485)
<b>Cash and cash equivalents at 1 January</b>	<b>3,572,876</b>	6,751,211
<b>Cash and cash equivalents at 30 June</b>	<b>2,683,565</b>	4,964,726

The notes on pages 48 to 71 form part of this interim financial report.

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 1 BASIS OF PREPARATION

This interim financial report of Anhui Conch Cement Company Limited (the “Company”) and its subsidiaries (the “Group”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” adopted by the International Accounting Standards Board (“IASB”). It was authorised for issuance on 16 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

In preparing this interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2009 annual financial statements.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Group’s annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The Group’s annual financial statements for the year ended 31 December 2009 are available at the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their audit report dated 29 March 2010.

#### 2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and one new Interpretation 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 3 (revised 2008), *Business combinations*
- Amendments to IAS 27, *Consolidated and separate financial statements*
- Amendments to IFRS 5, *Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary*

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- Amendments to IAS 39, *Financial instruments: Recognition and measurement – eligible hedged items*
- Improvements to IFRSs (2009)
- IFRIC 17, *Distributions of non-cash assets to owners*

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

The amendments to IAS 39 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to IFRS 3, IAS 27, IFRS 5 and IFRIC 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to IFRS 3 (in respect of recognition of acquiree's deferred tax assets) and IAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:
  - Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.
  - If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.
- If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.
- In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of IAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to IFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in IFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- In order to be consistent with the above amendments to IFRS 3 and IAS 27, and as a result of amendments to IAS 28, *Investments in associates*, and IAS 31, *Interests in joint ventures*, the following policies will be applied as from 1 January 2010:
  - If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
  - If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in IFRS 3 and IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

- IFRIC 17 requires distributions of non-cash assets to owners to be measured at the fair value of the assets distributed. This will result in a gain or loss being recognised in profit or loss to the extent that the fair value of the assets is different from their carrying value. Previously the Group measured such distributions at the carrying value of the assets distributed. In accordance with the transitional provisions in IFRIC 17, this new accounting policy will be applied prospectively to distributions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to IAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in IAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 3 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.

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

In accordance with IFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, 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 are priced with reference to prices charged to external parties for similar orders.



## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 3 SEGMENT REPORTING (CONTINUED)

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

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 period is set out below:

##### For the six months ended 30 June 2010

	East China RMB'000	Central China RMB'000	South China RMB'000	West China RMB'000	Reconciling		Total RMB'000
					Subtotal items (note (b)) RMB'000	RMB'000	
Revenue from external customers	4,622,154	5,930,471	2,936,578	379,071	13,868,274	-	13,868,274
Inter-segment revenue	607,978	2,817,967	45,683	-	3,471,628	(3,471,628)	-
<b>Reportable segment revenue</b>	<b>5,230,132</b>	<b>8,748,438</b>	<b>2,982,261</b>	<b>379,071</b>	<b>17,339,902</b>	<b>(3,471,628)</b>	<b>13,868,274</b>
<b>Reportable segment profit (Profit before taxation)</b>	<b>329,645</b>	<b>2,465,166</b>	<b>1,003,853</b>	<b>98,500</b>	<b>3,897,164</b>	<b>(1,537,359)</b>	<b>2,359,805</b>
Interest income	3,016	22,325	1,367	208	26,916	-	26,916
Interest expense	(37,536)	(178,879)	(33,052)	(7,763)	(257,230)	-	(257,230)
Depreciation and amortisation for the period	(133,117)	(603,546)	(173,252)	(42,599)	(952,514)	-	(952,514)
Additions to non-current segment assets during the period	816,855	1,705,760	281,748	2,043,908	4,848,271	-	4,848,271
<b>At 30 June 2010</b>							
<b>Reportable segment assets (including investment in associates and joint ventures)</b>	<b>9,295,575</b>	<b>50,566,369</b>	<b>9,940,287</b>	<b>6,726,864</b>	<b>76,529,095</b>	<b>(24,283,017)</b>	<b>52,246,078</b>
<b>Reportable segment liabilities</b>	<b>6,126,235</b>	<b>23,899,142</b>	<b>4,221,915</b>	<b>3,928,540</b>	<b>38,175,832</b>	<b>(15,595,115)</b>	<b>22,580,717</b>

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 3 SEGMENT REPORTING (CONTINUED)

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

###### For the six months ended 30 June 2009

	East China	Central China	South China	West China	Subtotal	Reconciling items (note (b))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	3,825,125	5,386,411	2,024,520	-	11,236,056	-	11,236,056
Inter-segment revenue	115,716	2,075,648	2,773	-	2,194,137	(2,194,137)	-
<b>Reportable segment revenue</b>	<b>3,940,841</b>	<b>7,462,059</b>	<b>2,027,293</b>	<b>-</b>	<b>13,430,193</b>	<b>(2,194,137)</b>	<b>11,236,056</b>
<b>Reportable segment profit (Profit before taxation)</b>	<b>121,887</b>	<b>1,233,277</b>	<b>434,171</b>	<b>(359)</b>	<b>1,788,976</b>	<b>(172,988)</b>	<b>1,615,988</b>
Interest income	2,184	71,537	1,832	-	75,553	-	75,553
Interest expense	(13,982)	(211,563)	(31,905)	-	(257,450)	-	(257,450)
Depreciation and amortisation for the period	(132,536)	(528,529)	(137,778)	(3,105)	(801,948)	-	(801,948)
Additions to non-current segment assets during the period	201,589	2,709,009	616,005	1,316,560	4,843,163	-	4,843,163
<b>At 31 December 2009</b>							
<b>Reportable segment assets (including investment in associates and joint ventures)</b>	<b>6,938,340</b>	<b>37,286,933</b>	<b>8,279,154</b>	<b>4,237,421</b>	<b>56,741,848</b>	<b>(9,737,897)</b>	<b>47,003,951</b>
<b>Reportable segment liabilities</b>	<b>3,479,855</b>	<b>11,686,051</b>	<b>2,678,695</b>	<b>1,513,400</b>	<b>19,358,001</b>	<b>(1,178,785)</b>	<b>18,179,216</b>

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 3 SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
<b>Revenue</b>		
Elimination of inter-segment revenue	(3,471,628)	(2,194,137)
<b>Profit</b>		
Elimination of inter-segment profits	(1,554,443)	(187,376)
Differences between PRC accounting standards and IFRS*		
– item (1)	1,919	1,919
– item (2)	15,165	12,469
	(1,537,359)	(172,988)
<b>Assets</b>		
Elimination of inter-segment balances	(24,140,387)	(9,593,348)
Differences between PRC accounting standards and IFRS*		
– item (1)	(142,630)	(144,549)
	(24,283,017)	(9,737,897)
<b>Liabilities</b>		
Elimination of inter-segment balances	(15,946,793)	(1,512,384)
Differences between PRC accounting standards and IFRS*		
– item (2)	351,678	333,599
	(15,595,115)	(1,178,785)

\* 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.

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 3 SEGMENT REPORTING (CONTINUED)

##### (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 ("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.

	Revenue from external customers		Specified non-current assets	
	Six months ended		At	
	30 June 2010	30 June 2009	30 June 2010	31 December 2009
	RMB'000	RMB'000	RMB'000	RMB'000
The People's Republic of China ("the PRC")	12,917,852	10,500,124	38,184,963	33,958,991
Others	950,422	735,932	-	-
	<b>13,868,274</b>	<b>11,236,056</b>	<b>38,184,963</b>	<b>33,958,991</b>

#### 4 SEASONALITY OF OPERATIONS

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

#### 5 OTHER REVENUE AND NET INCOME

##### (a) Other revenue

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Subsidy income	279,110	95,383
Interest income	26,916	75,553
	<b>306,026</b>	<b>170,936</b>

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 5 OTHER REVENUE AND NET INCOME (CONTINUED)

##### (b) Other net income

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Net realised gain on trading securities	-	347
Net realised gain on available-for-sale equity securities	-	6,034
Net gain/(loss) on disposal of fixed assets	1,378	(870)
Exchange loss	(227)	(381)
Others	4,873	2,239
	<b>6,024</b>	<b>7,369</b>

#### 6 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
<b>(a) Finance costs:</b>		
Interest on bank advances and other borrowings	316,712	267,684
Less: interest expense capitalised into construction-in-progress	(59,482)	(10,234)
	<b>257,230</b>	<b>257,450</b>

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
<b>(b) Other items:</b>		
Depreciation	922,299	782,888
Amortisation of interests in leasehold land held for own use under operating leases	15,654	12,866
Other amortisation	12,642	7,319
Staff costs	535,719	432,693

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 7 INCOME TAX

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
<b>Current tax-PRC Corporate Income Tax</b>		
Provision for the period	491,841	319,685
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(6,076)	(14,583)
	<b>485,765</b>	<b>305,102</b>

No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2010 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% (2009: 25%) on taxable income determined according to the relevant income tax rules and regulation 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)	22%
Shanghai Mingzhu Conch Cement Co., Ltd. 上海海螺明珠水泥有限責任公司 (Note i)	22%
Shanghai Conch Construction Material International Trading Co., Ltd. 上海海螺建材國際貿易有限公司 (Note i)	22%
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%
Beiliu Conch Cement Co., Ltd. 北流海螺水泥有限責任公司 (Note v)	0%

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 7 INCOME TAX (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 2010 is therefore 22%.
- (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 2010 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 a Corporate Income Tax exemption for the first two profitable years and a 50% reduction of Corporate Income Tax for the subsequent three years. 2010 is the fifth profitable year of Prosperity Conch Cement Co., Ltd. The applicable Corporate Income Tax rate in 2010 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 a Corporate Income Tax exemption for the five years ending 31 December 2010. The applicable Corporate Income Tax rate in 2010 is therefore 0%.
- (v) Beiliu Conch Cement Co., Ltd. was recognised by the local tax authorities as a company located in mid-west China, and thus is entitled to a Corporate Income Tax exemption for the five years ending 31 December 2011. The applicable Corporate Income Tax rate in 2010 is therefore 0%.

#### 8 OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Available-for-sale equity securities		
Changes in fair value recognised during the period (after tax)	(396,072)	526,719
Reclassification adjustments for amounts transferred to profit or loss	-	(6,034)
Net movement in the fair value reserve during the period recognised in other comprehensive income	(396,072)	520,685

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 9 EARNINGS PER SHARE

##### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2010 of RMB1,797,514,000 (six months ended 30 June 2009: RMB1,274,089,000) and the weighted average number of shares in issue during the six months ended 30 June 2010 of 3,532,868,000 (six months ended 30 June 2009: 3,532,868,000 after restatement for the capitalisation issue in 2010).

##### (b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the six months ended 30 June 2010 and 2009.

#### 10 FIXED ASSETS

##### (a) Acquisitions and disposals

During the six months ended 30 June 2010, the Group acquired interests in leasehold land held for own use under operating leases with a cost of RMB254,110,000 (six months ended 30 June 2009: RMB208,287,000).

During the six months ended 30 June 2010, the Group acquired property, plant and equipment with a cost of RMB4,306,486,000 (six months ended 30 June 2009: RMB3,231,072,000).

Assets with a carrying amount of RMB2,037,000 were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: RMB11,781,000), resulting in a net gain on disposal of RMB1,378,000 (six months ended 30 June 2009: net loss of RMB870,000).

##### (b) Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Contracted for	5,674,260	4,425,361
Authorised but not contracted for	5,828,896	8,705,135
	<b>11,503,156</b>	<b>13,130,496</b>



## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 11 AVAILABLE-FOR-SALE EQUITY SECURITIES

	Note	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Available-for-sale equity securities			
- Listed with trading restrictions in the PRC	(a)	248,130	302,888
- Listed in the PRC	(b)	2,054,876	2,041,104
		<b>2,303,006</b>	<b>2,343,992</b>

- (a) In 2006, the Company and Anhui Chaodong Cement Group Company Limited ("Chaodong Group"), a related party, entered into a Share Transfer Agreement pursuant to which the Company agreed to acquire 39,385,700 A shares of Anhui Chaodong Cement Company Limited ("Chaodong Company") (representing approximately 19.69% of the then total number of shares of Chaodong Company) held by Chaodong Group at a price of RMB2.48 per share for a total cash consideration of approximately RMB97,677,000. Chaodong Company is listed on the Shanghai Stock Exchange ("the 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 has been recognised as available-for-sale equity securities.

The three-year lockup period has ended on 21 July 2010 and the trading restriction was lifted on the same day. At 30 June 2010. The fair value of these available-for-sale equity securities amounted to RMB248,130,000, after taking into account a decrease of RMB54,758,000 in fair value during the six months ended 30 June 2010. Such decrease has been debited to the fair value reserve.

- (b) These securities are listed either on the SSE or the Shenzhen Stock Exchange. The fair value of these investments is measured with reference to the respective quoted market prices.

#### 12 INVENTORIES

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Raw materials	1,605,930	1,054,017
Work in progress	154,747	107,252
Finished goods	1,107,319	785,026
Spare parts	256,066	225,896
	<b>3,124,062</b>	<b>2,172,191</b>

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 13 TRADE RECEIVABLES

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

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Within 1 year (inclusive)	<b>3,574,564</b>	3,030,137

Trade debtors are due within 30-60 days from the day 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 day of issuance. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted.

#### 14 CASH AND CASH EQUIVALENTS

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Deposits with banks	<b>559,787</b>	600,000
Cash at bank and in hand	<b>2,123,778</b>	2,972,876
	<b>2,683,565</b>	3,572,876

As at 30 June 2010, the Group did not have cash at banks that are pledged as security (31 December 2009: Nil).

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 15 BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are as follows:

	Note	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
<b>Non-current bank loans and other borrowings</b>			
Bank loans			
– Unsecured	(i)	4,643,500	4,085,440
Loans from Conch Holdings			
– Unsecured	(ii)	4,900,000	600,000
Other borrowings			
– Secured	(iii)	650,000	650,000
– Unsecured	(iv)	50,909	58,182
		<b>10,244,409</b>	<b>5,393,622</b>
<b>Current bank loans and other borrowings</b>			
– Unsecured bank loans	(i)	2,971,986	3,523,280
– Other borrowings	(v)	1,586,669	660,000
		<b>4,558,655</b>	<b>4,183,280</b>

- (i) At 30 June 2010, unsecured bank loans of the Group totalling RMB1,378,000,000 (31 December 2009: RMB1,632,000,000) were guaranteed by Anhui Conch Holdings Company Limited (“Conch Holdings”).
- (ii) Loans from Conch Holdings amounting to RMB4,300,000,000 bear interest at a fixed rate of 4.83% per annum, and are unsecured and repayable in January 2013. Loans from Conch Holdings amounting to RMB600,000,000 bear interest at a fixed rate of 4.69% per annum, and are unsecured and repayable in May 2014.
- (iii) Other secured non-current borrowings of the Group are provided by the International Finance Corporation (“IFC”). The loan bears interest at a rate of 5.32% (31 December 2009: 5.32%) per annum and is repayable in September 2015. At 30 June 2010, the loan was secured by property, plant and equipment of the Group with carrying amount of approximately RMB505,022,000 (31 December 2009: RMB520,581,000) and leasehold land held for own use under operating leases of the Group with carrying amount of approximately RMB51,427,000 (31 December 2009: RMB52,024,000). The loan is subject to various financial covenants that are reported to IFC on a quarterly basis.

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 15 BANK LOANS AND OTHER BORROWINGS (CONTINUED)

- (iv) Other unsecured non-current borrowings of the Group are national debt loan provided by the Anhui Finance Bureau. The loan bears interest at a rate of 3.36% (31 December 2009: 4.44%) per annum and is repayable in June 2017.
- (v) At 30 June 2010, other current borrowings of the Group amounting to RMB1,586,669,000 were outstanding discounted bills with recourse (31 December 2009: RMB660,000,000).

At 30 June 2010 and 31 December 2009, the bank loans were repayable as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Within 1 year or on demand	2,971,986	3,523,280
After 1 year but within 2 years	2,176,890	1,279,130
After 2 years but within 5 years	2,358,610	2,790,310
After 5 years	108,000	16,000
Total non-current bank loans	4,643,500	4,085,440
	7,615,486	7,608,720

#### 16 TRADE PAYABLES

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

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Within 1 year (inclusive)	3,370,380	4,260,096
Between 1 and 2 years (inclusive)	14,118	10,814
Between 2 and 3 years (inclusive)	2,750	2,922
More than 3 years	1,638	971
	3,388,886	4,274,803

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 17 CAPITAL, RESERVES AND DIVIDENDS

##### (a) Dividends

The 2009 annual general meeting held on 3 June 2010 approved the final dividend for the year ended 31 December 2009 of approximately RMB618,252,000 (RMB0.35 per ordinary share) (six months ended 30 June 2009: RMB529,930,000).

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

##### (b) Capitalisation issue

The 2009 annual general meeting held on 3 June 2010 approved the bonus issue of 10 shares for every 10 shares held by the shareholders as at 18 June 2010. As a result, the issued share capital of the Company increased from RMB1,766,434,000 to RMB3,532,868,000 after capitalisation of share premium of RMB1,766,434,000.

#### 18 MATERIAL RELATED PARTY TRANSACTIONS

##### (a) Related parties information

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
Anhui Conch Venture Investment Company Limited (“Conch Venture”) 安徽海螺創業投資有限責任公司	Shareholder of Conch Holdings and the Company, some directors of the Company are also directors and equity holders of Conch Venture
Wuhu International Grand Hotel (“Grand Hotel”) 蕪湖海螺國際大酒店	Subsidiary of Conch Holdings
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	Subsidiary of Conch Holdings
Anhui Conch Construction Materials Design Centre (“Conch Design”) 安徽海螺建材設計研究院	Subsidiary of Conch Holdings

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 18 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

##### (a) Related parties information (continued)

<b>Name of related party</b>	<b>Nature of relationship</b>
Yingde Conch Profiles Co., Ltd. (“Yingde Profiles”) 英德海螺型材有限責任公司	Subsidiary of Conch Profiles and Science
Wuhu Conch New Materials Co., Ltd. (“Conch New Materials”) 蕪湖海螺新材料有限公司	Subsidiary of Conch Profiles and Science
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
Anhui King Bridge Cement Co., Ltd. (“King Bridge Cement”) 安徽朱家橋水泥有限公司	Associate of the Company
Guangxi Fusui Conch Cement Co., Ltd. (“Fusui Conch”) 廣西扶綏海螺水泥有限責任公司	Associate of the Company
Guangxi Xinye Conch Cement Co., Ltd. (“Xinye Conch”) 廣西興業海螺水泥有限責任公司	Associate of the Company
Guiding Conch Panjiang Cement Co., Ltd. (“Guiding Conch Panjiang”) 貴定海螺盤江水泥有限責任公司	Joint venture of the Company
Guiyang Conch Panjiang Cement Co., Ltd. (“Guiyang Conch Panjiang”) 貴陽海螺盤江水泥有限責任公司	Joint venture of the Company
Zunyi Conch Panjiang Cement Co., Ltd. (“Zunyi Conch Panjiang”) 遵義海螺盤江水泥有限責任公司	Joint venture of the Company
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. (“Conch Kawasaki Equipment”) 安徽海螺川崎裝備製造有限公司	Joint venture of the Company

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 18 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

##### (a) Related parties information (continued)

Name of related party	Nature of relationship
Wuhu Sanshan Port Co., Ltd. ("Sanshan Port") 蕪湖三山港務有限公司	Subsidiary of Conch Venture
Wuhu Conch Venture Property Investment Co., Ltd. ("Conch Venture Property") 蕪湖海創置業有限責任公司	Subsidiary of Conch Venture
Anhui Conch Kawasaki Engineering Company Limited ("Conch Kawasaki Engineering") 安徽海螺川崎工程有限公司	Joint venture of Conch Venture
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	Joint venture of Conch Venture
Yingde Dragon Mountain Cement Co., Ltd. ("Dragon Mountain") 英德龍山水泥有限責任公司	A director of the Company is also the general manager of Dragon Mountain

##### (b) Transactions between the Group and related companies

The Group has entered into the following material related party transactions:

##### (i) Transactions with Conch Holdings

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Trademark licence fees payable	757	757
Guarantee provided by Conch Holdings	1,378,000	3,706,000
Composite service fees payable	1,765	1,291
Loans from Conch Holdings	4,500,000	-
Interests on loans	93,646	-

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 18 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

##### (b) Transactions between the Group and related companies (continued)

##### (ii) Transactions with other related parties

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Sales of goods	20,843	11,402
Provision of service	4,160	4,538
Purchase of fixed assets	275,572	205,239
Purchase of materials	85,193	3,791
Receiving services	20,689	17,532
Importing machinery on behalf of joint ventures	67,016	–

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

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

Apart from the transactions mentioned in note 18(b) above, the Group has conducted transactions with other state-controlled entities which include, but are not limited to, purchases of coal and depositing and borrowing money.

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



## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 18 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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:

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Purchase of coal	1,465,821	1,191,168
Interest expenses	144,040	242,176
	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Cash at bank	2,627,330	3,567,095
Prepayments and other receivables	47,813	17,853
Bank loans and other borrowings	9,103,064	8,076,902

##### (d) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Short-term employees benefits	469	451
Post-employment benefits	61	49
	530	500
Directors and supervisors	45	73
Senior management	485	427
	530	500

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 18 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

##### (e) Amounts due from/to related parties

##### (i) Due from related parties

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Conch Kawasaki Engineering	295,566	286,584
Conch Kawasaki Energy Conservation	151,786	103,485
Conch Profiles and Science	3,387	3,447
Sanshan Port	-	17
Conch Design	1,960	405
Conch Kawasaki Equipment	61,063	51,917
Guiding Conch Panjiang	2,298	20,263
Dragon Mountain	454	9,083
Conch Venture Property	4,209	2,880
Guiyang Conch Panjiang	2,179	1,826
	<b>522,902</b>	<b>479,907</b>

##### (ii) Due to related parties

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Conch Kawasaki Engineering	78,714	102,738
Conch Kawasaki Energy Conservation	58,441	57,650
Conch Design	232	-
Yingde Profiles	17	-
Xingye Conch	56,800	56,800
Fusui Conch	41,373	41,373
Conch Holdings	84,073	-
Conch New Materials	634	904
Conch Profiles and Science	95	99
Sanshan Port	835	2,594
Conch Kawasaki Equipment	19,311	22,283
Dragon Mountain	2,884	2,371
Conch Venture	-	191
	<b>343,409</b>	<b>287,003</b>

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

*(Expressed in Renminbi Yuan unless otherwise indicated)*

#### 19 CONTINGENT LIABILITIES

At 30 June 2010, outstanding letters of credit issued by the Group amounted to approximately RMB201,229,000 (31 December 2009: RMB40,162,000).

#### 20 NON-ADJUSTING POST BALANCE SHEET EVENTS

On 26 June 2010, the Company (as purchaser) and all the shareholders of Longling Huihe Cement Company Limited (“Longling Huihe”) (as vendor) entered into a sale and purchase agreement pursuant to which both parties agreed to transfer the 100% equity interests in Longling Huihe. In accordance with the sale and purchase agreement, the Company will pay cash consideration with a total amount of RMB41,800,000 to the shareholders of Longling Huihe for such acquisition and the agreement will take effect when the vendor received the first portion of the consideration from the purchaser. On 1 July 2010, the Company paid the first instalment of the consideration and obtained the revised business licence of Longling Huihe on 6 July 2010.

## VII. Documents Available for Inspection

- (1) A copy of this interim report bearing the signature of the Chairman of the Board;
- (2) A copy of the financial statements bearing the signatures and seals of each of the officers in-charge of the Company, the accounting function and the accounting department;
- (3) Copies of all the documents of the Company which were disclosed in the newspaper designated by the CSRC during the Reporting Period;
- (4) A copy of the interim report published on the Stock Exchange.

**Anhui Conch Cement Company Limited**

**Guo Wensan**

*Chairman*

16 August 2010