CONCH

2010 ANNUAL REPORT

Anhui Conch Cement Company Limited

(H Share: 00914)

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

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

Definitions

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

The Company/Conch Cement	:	Anhui Conch Cement Co., Ltd.
The Group	:	The Company and its subsidiaries
Board	:	Board of Directors of the Company
Director(s)	:	Director(s) of the Company
Supervisory Committee	:	supervisory committee of the Company
Supervisor(s)	:	supervisor(s) of the Company
Anhui Conch	:	Anhui Conch Cement Ltd.
Baimashan Cement Plant	:	Baimashan Cement Plant of Anhui Conch Cement Co., Ltd.
Beiliu Conch	:	Beiliu Conch Cement Co., Ltd.
Chaodong Cement	:	Anhui Chaodong Cement Co., Ltd.
Chizhou Conch	:	Anhui Chizhou Conch Cement Co., Ltd.
Chongqing Conch	:	Chongqing Conch Cement Co., Ltd.
Dazhou Conch	:	Dazhou Conch Cement Co., Ltd.
Ganjiang Conch	:	Jiangxi Ganjiang Conch Cement Co., Ltd.
Guangyuan Conch	:	Guangyuan Conch Cement Co., Ltd.
Conch Venture	:	Anhui Conch Venture Investment Co., Ltd.
Conch Kawasaki Engineering	:	Anhui Conch Kawasaki Engineering Co., Ltd.
Conch Kawasaki Energy Conservation	:	Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd
Conch International Trading	:	Shanghai Conch Construction Material International Trading Co., Ltd.

Conch International	:	Shanghai Conch International Investment and Development Co., Ltd.
Conch Holdings	:	Anhui Conch Holdings Co., Ltd.
Conch Construction	:	Anhui Wuhu Conch Construction and Installation Engineering Co., Ltd.
Conch Hotel	:	Wuhu Conch International Hotel Co., Ltd.
Conch Design	:	Anhui Conch Construction Materials Design Institute
Conch Property	:	Wuhu Conch Property Management Co., Ltd.
Conch Profiles	:	Wuhu Conch Profiles and Science Co., Ltd.
Huaining Conch	:	Anhui Huaining Conch Cement Co., Ltd.
Huainan Conch	:	Huainan Conch Cement Co., Ltd.
Hunan Conch	:	Hunan Conch Cement Co., Ltd.
Jining Conch	:	Jining Conch Cement Co., Ltd.
Conch Building Materials	:	Anhui Conch Building Materials Co., Ltd.
Jiande Conch	:	Jiande Conch Cement Co., Ltd.
Jiangmen Conch	:	Jiangmen Conch Cement Co., Ltd.
Liquan Conch	:	Liquan Conch Cement Co., Ltd.
Linxiang Conch	:	Linxiang Conch Cement Co., Ltd.
Longling Huihe	:	Longling Huihe Cement Co., Ltd.
Longshan Cement	:	Yingde Longshan Cement Co., Ltd.
Ningguo Cement Plant	:	Ningguo Cement Plant of Anhui Conch Cement Co., Ltd.
Ping An Trust	:	Ping An Trust & Investment Co., Ltd.
Pingliang Conch	:	Pingliang Conch Cement Co., Ltd.

Qiyang Conch	:	Qiyang Conch Cement Co., Ltd.
Qianyang Conch	:	Qianyang Conch Cement Co., Ltd.
Qingxin Cement	:	Guangdong Qingxin Cement Co., Ltd.
Quanjiao Conch	:	Quanjiao 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.
Xiangshan Conch	:	Xiangshan Conch Cement Co., Ltd.
Xinning Conch	:	Fusui Xinning Conch Cement Co., Ltd.
Xing'an Conch	:	Xing'an Conch Cement Co., Ltd.
Yangchun Conch	:	Yangchun Conch Cement Co., Ltd.
Yiyang Conch	:	Yiyang Conch Cement Co., Ltd.
Prosperity Conch	:	Prosperity Conch Cement Co., Ltd.
Zongyang Conch	:	Anhui Zongyang Conch Cement Co., Ltd.
Regional Committee(s)	:	regional management unit(s) specially established by the Company for implementation of regional management in order to strengthen the Company's management over its subsidiaries and enhance management efficiency by organizing certain subsidiaries located in a particular province or neighboring areas into a regional management unit
Reporting Period	:	the period from 1 January 2010 to 31 December 2010

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

Contents

(1)	**Official Chinese name of the Company**	:	安徽海螺水泥股份有限公司
	Official English name of the Company	:	ANHUI CONCH CEMENT COMPANY LIMITED
	Abbreviation in English	:	ACC
(2)	**Legal Representative of the Company**	:	Guo Wensan
(3)	**Company Secretary**	:	Zhang Mingjing
	Phone number	:	0086 553 8398918
	Fax number	:	0086 553 8398931
	Company secretary (Hong Kong)	:	Leo P. Y. Chiu
	Phone number	:	00852 21113220
	Fax number	:	00852 21113299
	Securities Affairs Representative	:	Yang Kaifa
	Phone number	:	0086 553 8398927
	Fax number	:	0086 553 8398931
	Email address	:	dms@conch.cn
(4)	**Registered address of the Company**	:	209 Beijing East Road, Wuhu City, Anhui Province, the PRC
	Office address of the Company	:	1011 Jiuhua South Road, Wuhu City, Anhui Province, the PRC
	Postal code	:	241070
	Email address of the Company	:	cement@conch.cn
	Website of the Company	:	http://www.conch.cn
	Contact address in Hong Kong	:	40/F, Jardine House, 1 Connaught Place, Central, Hong Kong
(5)	**Company's designated newspaper for information disclosure in the PRC**	:	Shanghai Securities Journal
	Website for publication of this report	:	http://www.sse.com.cn
	Location where this annual report is available for inspection	:	Secretariat to the Board of the Company

(6) Exchange on which the Company's shares are listed		
H Shares	:	Stock Exchange
Stock code	:	00914
A Shares	:	SSE
Stock code	:	600585
Stock name	:	Conch Cement
(7) Date of first registration of the Company	:	1 September 1997
Place of first registration of the Company	:	Industrial and Commercial Administration Bureau, Anhui Province
Date of registration of changes in particulars of the Company	:	20 July 2010
Place of registration of changes in particulars of the Company	:	Industrial and Commercial Administration Bureau, Anhui Province
Business license number for legal person	:	340000000000081
Tax registration number	:	GSHZ 34020214949036-X DSHZ 34020214949036-X
(8) Legal adviser as to PRC law	:	Jingtian & Gongcheng 34th Floor, Tower 3, China Central Place, 77 Jianguo Road, Chaoyang District, Beijing, the PRC
Legal adviser as to Hong Kong law	:	Chiu & Partners 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
(9) International auditors	:	KPMG Certified Public Accountants 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
PRC auditors	:	KPMG Huazhen Certified Public Accountants 8th Floor, Office Tower 2, Oriental Plaza, 1 East Chang An Avenue, Beijing, the PRC
(10) H Shares share registrar and transfer office	:	Hong Kong Registrars Limited 17/F, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong

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

(Unit: RMB'000)

Items	2010	2009	2008	2007	2006 (restated)
Revenue	**34,508,282**	24,998,007	24,228,268	18,776,098	16,096,057
Net profit attributable to equity shareholders of the Company	**6,163,481**	3,505,936	2,607,223	2,480,146	1,543,767
Total assets	**60,266,442**	47,003,951	42,383,736	30,921,284	22,737,644
Total liabilities	**25,157,974**	18,179,216	17,496,416	19,674,182	14,152,667

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

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

1. Profit indicators for the Reporting Period

(Unit: RMB'000)

Items	Amount
Operating profit	7,615,883
Profit before taxation	8,078,332
Net profit attributable to equity shareholders of the Company	6,171,403
Net profit after extraordinary items attributable to equity shareholders of the Company	5,902,351
Net cash flow generated from operating activities	6,010,307

2. Extraordinary items and amount for the Reporting Period

(Unit: RMB'000)

Extraordinary items	Amount
(1) Loss on disposal of non-current assets	(10,351)
(2) Government subsidy	351,315
(3) Gain or loss on fair value changes	1,753
(4) Reversal of impairment provision for receivables subject to separate impairment test	831
(5) Non-operating income and expenses other than the above items	10,807
(6) Effect of extraordinary items on income tax	(80,729)
(7) Effect of extraordinary items on minority interests	(4,574)
Total	**269,052**

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

Table 1:

(Unit: RMB'000)

Items	2010	2009	Year-on-year change (%)	2008
Revenue	**34,508,282**	24,998,007	38.04	24,228,268
Profit before taxation	**8,078,332**	4,476,543	80.46	3,245,749
Net profit attributable to equity shareholders of the Company	**6,171,403**	3,544,365	74.12	2,607,012
Net profit after extraordinary items attributable to equity shareholders of the Company	**5,902,351**	3,413,662	72.90	2,424,995
Basic earnings per share (RMB/share) (restated)	**1.75**	1.00	74.12	0.77
Diluted earnings per share (RMB/share) (restated)	**1.75**	1.00	74.12	0.77
Basic earnings per share after extraordinary items (RMB/share) (restated)	**1.67**	0.97	72.90	0.72
Diluted return on net assets (%)	**17.63**	12.32	Increased by 5.31 percentage points	10.51

Table 1: (Unit: RMB'000)

Items	2010	2009	Year-on-year change (%)	2008
Weighted average return on net assets (%)	**19.39**	13.17	Increased by 6.22 percentage points	13.81
Diluted return on net assets after extraordinary items (%)	**16.86**	11.87	Increased by 4.99 percentage points	9.78
Weighted average return on net assets after extraordinary items (%)	**18.54**	12.69	Increased by 5.85 percentage points	12.85
Net cash flow generated from operating activities	**6,010,307**	7,029,352	(14.50)	5,266,375
Net cash flow per share generated from operating activities (RMB/share) (restated)	**1.70**	1.99	(14.50)	1.56

Table 2: (Unit: RMB'000)

Items	As at 31 December 2010	As at 31 December 2009	Year-on-year change (%)	As at 31 December 2008
Total assets	**60,411,853**	47,148,498	28.13	42,532,123
Total equity attributable to equity shareholders of the Company	**35,003,281**	28,759,639	21.71	24,796,664
Net assets per share attributable to equity shareholders of the Company (RMB/share) (restated)	**9.91**	8.14	21.71	7.37

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 "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 2009 and 2008 stated in Table 1 were restated by the Group and the "Net assets per share attributable to equity shareholders of the Company" as at 31 December 2009 and 31 December 2008 stated in Table 2 was restated by the Group.

4. Cash dividend for the preceding three years

Year	Cash dividend for the year (RMB'000)	Cash dividend for the year as a percentage of net profit attributable to equity shareholders of the Company
2007	–	–
2008	529,930	20.33%
2009	618,252	17.44%

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

(Unit: RMB'000)

	Net profit attributable to equity shareholders of the Company		Equity attributable to equity shareholders of the Company	
	1 January to 31 December 2010 (Audited)	1 January to 31 December 2009 (Audited)	**As at 31 December 2010 (Audited)**	As at 31 December 2009 (Audited)
As reported in the statutory financial statements in accordance with PRC Accounting Standards	**6,171,403**	3,544,365	**35,003,281**	28,759,639
– Reversal of valuation surplus of land use rights upon restructuring of the Group	**3,838**	3,838	**(140,712)**	(144,550)
– Deferral of subsidy income not subject to China Accounting Standards for Business Enterprises No.16 – Government Subsidy" in accordance with IFRSs	**(11,760)**	(42,267)	**(374,326)**	(327,749)
As reported in accordance with IFRSs	**6,163,481**	3,505,936	**34,488,243**	28,287,340

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

(Unit: Share)

Class of shares	Before change		Increase/decrease(+,-)			After change	
	Number	Percentage (%)	Others	Transfer from capital reserves	Subtotal	Number	Percentage (%)
I. Shares subject to trading restrictions	310,754,193	17.59	–310,754,193	–	–310,754,193	–	–
1. State-owned legal person shares	22,755,147	1.29	–22,755,147	–	–22,755,147	–	–
2. Other domestic shares	287,999,046	16.30	–287,999,046	–	–287,999,046	–	–
II. Shares not subject to trading restrictions	1,455,680,000	82.41	+310,754,193	+1,766,434,193	+2,077,188,386	3,532,868,386	100
1. RMB-denominated ordinary shares (i.e. A Shares)	1,022,480,000	57.89	+310,754,193	+1,333,234,193	+1,643,988,386	2,666,468,386	75.48
2. Overseas-listed foreign shares (i.e. H Shares)	433,200,000	24.52	–	+433,200,000	+433,200,000	866,400,000	24.52
III. Total number of shares	**1,766,434,193**	**100**	**–**	**+1,766,434,193**	**+1,766,434,193**	**3,532,868,386**	**100**

Notes:

1. On 26 May 2010, 22,755,147 floating A Shares which had been subject to trading restrictions held by State-owned legal person (i.e. Conch Holdings) were released from trading restrictions.

2. On 26 May 2010, 287,999,046 floating A Shares which had been subject to trading restrictions held by other domestic shareholders (i.e. Ping An Trust and Conch Venture, who are domestic non-state owned legal persons) were released from trading restrictions.

3. During the Reporting Period, the Company implemented the proposal of capitalization of capital reserve fund on the basis of issue of 10 new shares for every 10 existing shares held, the 1,766,434,193 new shares (including 1,333,234,193 A Shares and 433,200,000 H Shares) were not subject to trading restrictions.

(2) CHANGES IN SHARES SUBJECT TO TRADING RESTRICTIONS

(Unit: Share)

Name of shareholders	Number of shares subject to trading restrictions at the beginning of the year	Number of shares released from trading restrictions during the year	Increase in number of shares subject to trading restrictions during the year	Number of shares subject to trading restrictions at the end of the year	Reasons for trading restrictions	Date of release from trading restrictions
Conch Holdings	22,755,147	22,755,147	–	–	Private issue of shares	26 May 2010
Ping An Trust	203,828,265	203,828,265	–	–	(Note)	26 May 2010
Conch Venture	84,170,781	84,170,781	–	–	Private issue of shares	26 May 2010
Total	**310,754,193**	**310,754,193**	**–**	**–**	**–**	**–**

Note: In 2009, 203,828,265 shares out of 287,999,046 shares of the Company held by Conch Venture (obtained through private issue of shares subject to three years' trading restriction) were transferred to Ping An Trust to offset certain indebtedness owing by it to Ping An Trust, and as a result the number of shares of the Company subject to trading restrictions held by Conch Venture was reduced to 84,170,781 shares. Accordingly, 203,828,265 shares of the Company with trading restrictions were held by Ping An Trust. Under the undertakings given by Conch Venture and Anhui Conch Holdings Co., Limited's Staff Association Committee (as the entrusting party of Ping An Trust – Conch Equity Interest) respectively, such shares were released from trading restrictions on 26 May 2010 (please refer to the announcement of the Company dated 20 May 2010 for details).

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

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

2. In 2010, 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 were issued with 10 new shares for every 10 existing shares held by them based on the total number of issued shares 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 total number of shares of the Company increased from 1,766,434,193 shares to 3,532,868,386 shares.

(4) SUMMARY OF TRADING OF THE COMPANY'S SHARES IN 2010

During the Reporting Period, the Company implemented the proposal of capitalization of capital reserve fund, under which all shareholders were issued with 10 new shares for every 10 existing shares held by them. A Shares and H Shares were dealt in on an ex-entitlement basis on 21 June 2010 and 30 April 2010 respectively. The following prices of A Share and H Share per Share are arrived at before and after ex-entitlement:

	A Share/RMB		H Share/HK$	
	Before ex-entitlement	After ex-entitlement	Before ex-entitlement	After ex-entitlement
Opening price on the first trading day of the year	50.35	25.18	49.90	24.95
Closing price on the last trading day of the year	59.36	29.68	72.90	36.45
Highest trading price during the year	62.06	31.03	75.80	37.90
Lowest trading price during the year	29.00	14.50	42.90	21.45

(5) SHAREHOLDERS

1. As at 31 December 2010, the total number of registered shareholders was 51,231, of which 73 were registered holders of H Shares.

2. As at 31 December 2010, the shareholdings of the top ten registered shareholders of the Company are set out as follows:

	Name of shareholders	Nature of shareholders	Number of shares held at the end of the Reporting Period	Percentage of shareholding (%)	Class of shares
1	Conch Holdings (Note 2)	State-owned	1,278,886,072	36.20	A Share
2	HKSCC Nominees Limited (Note 3)	Foreign	865,377,994	24.50	H Share
3	Conch Venture (Note 4)	Others	191,142,164	5.41	A Share
4	Ping An Trust – Conch Equity Interest (Note 5)	Others	74,334,565	2.10	A Share
5	The Industrial and Commercial Bank of China – Shanghai Trust Morgan Domestic Consumption Power Stock Securities Investment Fund	Others	20,008,635	0.57	A Share
6	UBS AG	Others	16,836,954	0.48	A Share
7	Bank of Communications – Fuguo Tianyi Value Securities Investment Fund	Others	16,079,131	0.46	A Share
8	The Industrial and Commercial Bank of China – South Excellent Performance Growth Stock Securities Investment Fund	Others	15,999,843	0.45	A Share
9	Yale University	Others	14,232,792	0.40	A Share
10	The Industrial and Commercial Bank of China – Jianxin Optimized Placement Mixed Securities Investment Fund	Others	13,940,833	0.39	A Share

Notes:

(1) These shares are floating shares without trading restrictions.

(2) As at 31 December 2010, a total of 1,278,886,072 A Shares of the Company were held by Conch Holdings, an increase of 643,297,729 A Shares as compared with that at the beginning of the year, of which 3,854,693 A Shares were acquired through the trading system of SSE by Conch Holdings during the Reporting Period and 639,443,036 A Shares were obtained through capitalization of capital reserves by the Company.

(3) HKSCC Nominees Limited held 865,377,994 H Shares, representing 24.50% of the total share capital of the Company, and 99.88% of the total number of H Shares issued by the Company, on behalf of its various clients.

(4) As at 31 December 2010, a total of 191,142,164 A Shares of the Company were held by Conch Venture, an increase of 106,112,712 A Shares as compared with that at the beginning of the year, of which 10,541,630 A Shares were acquired through the trading system of SSE by Conch Venture during the Reporting Period and 95,571,082 Shares were obtained through capitalization of capital reserves by the Company.

(5) Ping An Trust is the trustee of Conch Equity Interest Trust Plan and was entrusted by the staff association committee of Conch Holdings to hold 203,828,265 A Shares of the Company in trust. Upon release from trading restrictions of such shares on 26 May 2010, Ping An Trust reduced its shareholdings through the trading system of SSE. As at 31 December 2010, Ping An Trust held 74,334,565 A Shares of the Company.

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

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

(8) As at 31 December 2010, the following persons (other than the Directors or chief executive of the Company) held interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong) (references to Directors or chief executive in this paragraph include Supervisors):

Name of shareholder	Number of Shares held	Capacity	Percentage of shareholding of the relevant class of shares
Conch Holdings	1,288,818,734 A Shares (long position) (Note a)	Beneficial owner	48.33% (Note b)
Anhui Provincial Investment Group Limited	1,288,818,734 A Shares (long position) (Note a)	Interest of a controlled corporation	48.33% (Note b)
Conch Venture	1,490,195,468 A Shares (long position) (Note a)	Interest of a controlled corporation/ beneficial owner	55.89% (Note b)

Name of shareholder	Number of Shares held	Capacity	Percentage of shareholding of the relevant class of shares
JPMorgan Chase & Co.	169,936,600 H Shares (long position) (Note d)	Beneficial owner/ investment manager/ custodian	19.61% (Note c)
JPMorgan Chase & Co.	1,168,064 H Shares (short position)	Beneficial owner	0.13% (Note c)
Genesis Asset Managers, LLP	104,281,432 H Shares (long position)	Investment manager	12.04% (Note c)
Taiwan Cement Corporation	77,712,000 H Shares (long position) (Note e)	Interest of a controlled corporation	8.97% (Note c)

Notes:

(a) Among the 1,288,818,734 A Shares held by Conch Holdings, 1,278,886,072 A Shares were held by Conch Holdings as beneficial owner and 9,932,662 A Shares were held in the name of Conch Design (a wholly-owned subsidiary of Conch Holdings). The registered capital of Conch Holdings is RMB800 million, of which RMB408 million is attributable to Anhui Provincial Investment Group Limited ("Anhui Provincial Investment Group") (representing 51% of the equity interests in Conch Holdings); and RMB392 million is attributable to Conch Venture (representing 49% of the equity interests in Conch Holdings). Pursuant to the SFO, both Anhui Provincial Investment Group and Conch Venture were deemed to have interests in the entire number of shares of the Company held by Conch Holdings.

Among the 1,490,195,468 A Shares held by Conch Venture, 191,142,164 A Shares were held by Conch Venture as beneficial owner; 1,288,818,734 A Shares were held in the name of Conch Holdings and 10,234,570 A Shares were held in the name of Conch Property (a wholly-owned subsidiary of Conch Venture).

(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. on 20 December 2010 (the date of relevant event being 16 December 2010), these shares were held through certain subsidiaries of JPMorgan Chase & Co. The 169,936,600 H Shares (long position) were held as to 2,037,541 shares in the capacity of beneficial owner; 120,402,000 shares in the capacity of investment manager; and 47,497,059 shares (securities in a lending pool) in the capacity of custodian.

(e) According to the disclosure of interests form submitted by Taiwan Cement Corporation on 12 December 2008 (the date of relevant event being 11 December 2008), 38,856,000 H Shares of the Company were held by Taiwan Cement Corporation through certain of its subsidiaries. Upon implementation of the proposal of capitalization of capital reserve fund by the Company during the Reporting Period, Taiwan Cement Corporation held 77,712,000 H Shares of the Company.

Save for the aforesaid shareholders, as at 31 December 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.

3. Information on the controlling shareholder of the Company

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

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

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

Anhui Provincial Investment Group is a State-owned company solely owned by State-owned Assets Supervision and Administration Commission of Anhui Province ("Anhui SASAC"), and accordingly, Anhui SASAC is the de facto controller of the Company. As at 31 December 2010, the shareholding relationship structure between the Company and Conch Holdings, Anhui Provincial Investment Group and Anhui SASAC is set out as follows:

5. Public float

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

(6) PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2010, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities of the Company.

(7) PRE-EMPTIVE RIGHTS

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

(8) TRANSACTIONS IN RESPECT OF ITS OWN SECURITIES

Up to 31 December 2010, the Group had neither issued nor granted any convertible securities, options, warrants or other similar rights. As at 31 December 2010, the Group had no redeemable securities.

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

For the year ended 31 December 2010, holders of the Company's securities were not entitled to any tax relief and exemptions by virtue of their holdings of such securities under their legal status of the PRC.

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

Name	Position	Sex	Date of birth	Tenure
Guo Wensan	Chairman and executive Director	Male	September 1955	3 June 2010 to 2 June 2013
Kang Woon	Independent non-executive Director	Male	March 1963	3 June 2010 to 2 June 2013
Ding Meicai	Independent non-executive Director	Male	November 1942	3 June 2010 to 2 June 2013
Chan Yuk Tong	Independent non-executive Director	Male	June 1962	3 June 2010 to 2 June 2012
Guo Jingbin	Executive Director	Male	January 1958	3 June 2010 to 2 June 2013
Ji Qinying	Executive Director and general manager	Male	June 1956	3 June 2010 to 2 June 2013
Qi Shengli	Executive Director and deputy general manager	Male	September 1965	3 June 2010 to 2 June 2013
Wu Jianping	Executive Director	Male	March 1966	3 June 2010 to 2 June 2013
Wang Jun	Chairman of Supervisory Committee	Male	February 1957	3 June 2010 to 2 June 2013
Wang Yanmou	Supervisor	Male	December 1932	3 June 2010 to 2 June 2013
Ding Feng	Staff representative Supervisor	Male	December 1972	3 June 2010 to 2 June 2013
Wang Pengfei	Deputy general manager	Male	August 1962	–
He Chengfa	Deputy general manager	Male	January 1966	–
Zhang Mingjing	Deputy general manager and company secretary	Female	September 1962	–
Wu Bin	Assistant to general manager	Male	January 1965	–
Li Leyi	Deputy chief engineer of technical art	Male	December 1962	–
Chiu Pak Yue, Leo	Company secretary (Hong Kong)	Male	January 1963	–

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

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

Name	Position held in Conch Holdings and tenure	Any remuneration and allowances received from Conch Holdings	Position held in other companies and tenure	Any remuneration and allowances received from those companies
Guo Wensan	Chairman (from January 1997 to present) general manager (from January 1997 to April 2010)	Yes	–	–
Guo Jingbin	Director and deputy general manager (from January 1997 to present)	Yes	(1) Director of Conch Building Materials (Note) (from August 1996 to January 2011) (2) Director of Conch Hotel (from November 2005 to present)	No
Ji Qinying	Deputy general manager (from September 2000 to April 2010) Executive deputy general manager (from April 2010 to present)	No	(1) General manager/vice chairman of Conch Profiles (from June 2003 to April 2008) (2) Chairman of Conch Profiles (from May 2008 to November 2009) (3) Director of Conch Venture (from November 2002 to present) (4) Chairman of Conch Kawasaki Energy Conservation (from November 2006 to present)	No
Qi Shengli	Deputy general manager (from April 2010 to present)	No	(1) Chairman of supervisory committee of Conch Profiles (from September 2007 to November 2009) (2) Chairman of supervisory committee of Conch International (from December 2005 to present)	No

Name	Position held in Conch Holdings and tenure	Any remuneration and allowances received from Conch Holdings	Position held in other companies and tenure	Any remuneration and allowances received from those companies
Wu Jianping	–	–	Director and general manager of Longshan Cement (from May 2004 to present)	Yes
Wang Jun	Secretary General of Disciplinary Committee (from January 1997 to present) Deputy Party Secretary (from July 2002 to present)	Yes	(1) Chairman of Conch Building Materials (Note) (from March 2004 to January 2011) (2) Director of Conch International (from December 2005 to present) (3) Chairman of Jiangdu Haichang Port Industrial Co., Ltd. (from September 2006 to February 2011) (4) Chairman of Wuhu Sanshan Conch Port Co., Ltd. (from September 2006 to present) (5) Chairman of Conch Venture (from August 2006 to present) (6) Chairman of Anhui Chaodong Cement Holdings Co., Ltd. (from May 2007 to present) (7) Director of Conch Hotel (from November 2005 to present) (8) Chairman of supervisory committee of Conch Profiles (from November 2009 to present)	No
Ding Feng	Deputy chief accountant (from April 2010 to present)	No	–	–

Name	Position held in Conch Holdings and tenure	Any remuneration and allowances received from Conch Holdings	Position held in other companies and tenure	Any remuneration and allowances received from those companies
Wang Pengfei	Assistant to general manager (from April 2010 to present)	No	–	–
He Chengfa	Assistant to general manager (from April 2010 to present)	No	(1) Chairman of Conch Kawasaki Engineering (from December 2006 to present) (2) Director of Conch Kawasaki Energy Conservation (from November 2006 to present)	No

Note: During the Reporting Period, Conch Holdings carried out the absorption merger with Conch Building Materials, Conch Building Materials was deregistered on 11 January 2011.

Biography of Directors, Supervisors and Senior Management

Executive Directors

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

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

Mr. Ji Qinying, an executive Director and general manager of the Company, senior engineer. Mr. Ji graduated from Shanghai Construction Materials College and joined the Group in 1980. He held various leading positions including deputy plant operating director of the former Ningguo Cement Plant, deputy general manager of Tongling Conch, chairman and general manager of Chizhou Conch, and chairman of Conch Profiles. Mr. Ji has relatively extensive experience in production, operation and management of the cement industry. He was a Supervisor of the first to third sessions of the Supervisory Committee of the Company and an executive Director of the fourth session of the Board. He is now the chairman of Conch International Trading and Longling Huihe.

Mr. Qi Shengli, an executive Director and deputy general manager of the Company, senior economist. Mr. Qi graduated from Wuhan Industrial University and joined the Group in 1989. He has held various positions such as deputy head of personnel department of the former Ningguo Cement Plant, head of personnel department of the Company and assistant to general manager of the Company. Mr. Qi was an executive Director of the fourth session of the Board of the Company.

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

Independent non-executive Directors

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

Mr. Chan Yuk Tong, an independent non-executive Director of the Company, is a fellow member (FCPA) of Hong Kong Institute of Certified Public Accountants and a member (CPA) of CPA Australia. Mr. Chan graduated from the University of Newcastle in Australia with a bachelor degree in commerce and also obtained a master degree in business administration from the Chinese University of Hong Kong. Mr. Chan had worked for the Hong Kong G2000 Group, Tak Sing Alliance Holdings Limited, China Pipe Group Limited (formerly known as World Trade Bun Kee Limited), Asia Cassava Resources Holdings Limited, Great Wall Motor Company Limited and Ernst & Young, and has over 20 years of experience in financial management. Mr. Chan is currently a director of the following companies listed on the Stock

Exchange, namely, Vitop Bioenergy Holdings Limited, Daisho Microline Holdings Limited, Kam Hing International Holdings Limited, Xinhua Winshare Publishing and Media Co., Ltd. (formerly known as Sichuan Xinhua Winshare Chainstore Co., Ltd.), Thunder Sky Battery Limited (formerly known as Jia Sheng Holdings Limited), Global Sweeteners Holdings Ltd., Ausnutria Dairy Corporation Ltd., Trauson Holdings Company Limited and BYD Electronic (International) Company Limited, as well as a director of certain private companies in Hong Kong, including Ascenda Cachet CPA Limited (formerly known as Cachet Certified Public Accountants Limited). Mr. Chan was an independent non-executive Director of the third and fourth sessions of the Board of the Company.

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

Supervisors

Mr. Wang Jun, chairman of the Supervisory Committee of the Company, senior engineer. Mr. Wang graduated from Anhui University and joined the Group in 1982. Mr. Wang has held various positions such as head of automatic measurement department and head of personnel department and party secretary of the former Ningguo Cement Plant. Mr. Wang was a Supervisor of the first to fourth sessions of the Supervisory Committee of the Company and is currently the chairman of supervisory committee of Conch Profiles.

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

Mr. Ding Feng, a staff representative Supervisor of the Company, intermediate accountant. Mr. Ding graduated from Tongling College and joined the Group in 1994. He was the deputy head of finance department of Tongling Conch, financial controller of Zongyang Conch, deputy head of finance department of the Company and the officer-in-charge of the Regional Committee in Jiangxi. He has relatively extensive experience in finance management and corporate management. Mr. Ding is also currently the deputy head of external economic cooperation department of the Company.

Senior Management

Mr. Wang Pengfei, deputy general manager of the Company. Mr. Wang graduated from the State Construction Materials Technical School and joined the Group in 1984. He held positions such as deputy plant manager of the former Ningguo Cement Plant, chairman of Zongyang Conch and chairman and head of technology and engineering department of Huaining Conch.

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

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

Mr. Wu Bin, assistant to general manager of the Company, senior economist. Mr. Wu graduated from Anhui Construction Engineering School, and joined the Group in 1983. Mr. Wu held various leading positions such as deputy head of sales department and deputy plant director of the packing and transportation sub-plant of Baimashan Cement Plant, deputy director of sales department of the Company. Mr. Wu is relatively experienced in sales– and management-related work, and is currently head of the sales department of the Company.

Mr. Li Leyi, deputy chief engineer of technical art of the Company, engineer. Mr. Li graduated from Wuhan Industrial University and joined the Group in 1983. He held various leading positions such as plant director of the production sub-plant of the former Ningguo Cement Plant, deputy chief engineer of Tongling Conch and standing deputy general manager of Zongyang Conch. He took charge of a number of technology reform projects for cement production,. He has extensive experience in technical art design, technology innovation, on-site production organization and corporate management.

Company Secretary

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

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

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

The term of the fourth session of the Board and Supervisory Committee of the Company expired on 31 May 2010. As approved by the shareholders at the Company's annual general meeting for year 2009 held on 3 June 2010, it was agreed that Mr. Guo Wensan, Mr. Guo Jingbin, Mr. Ji Qinying, Mr. Qi Shengli and Mr. Wu Jianping be re-elected as the executive Directors of the fifth session of the Board of the Company; Mr. Kang Woon, Mr. Chan Yuk Tong and Mr. Ding Meicai be re-elected as the independent non-executive Directors of the fifth session of the Board of the Company; Mr. Wang Jun and Mr. Wang Yanmou be re-elected as the Supervisors of the fifth session of the Supervisory Committee of the Company and Mr. Ding Feng as the staff representative Supervisor of the Company.

The term of each of the fifth session of the Board and Supervisory Committee is three years. Under the relevant requirements of the CSRC, the term of independent Directors shall not be more than consecutive six years. As Mr. Chan Yuk Tong has acted as the independent non-executive Director of the Company for four consecutive years, the term of office of Mr. Chan is two years.

On 3 June 2010, Mr. Guo Wensan was unanimously re-elected as the chairman of the fifth session of the Board of the Company with a term of three years at the first meeting of the fifth board meeting of the Company and Mr. Wang Jun was re-elected as the chairman of the fifth session of the Supervisory Committee of the Company with a term of three years at the first meeting of the fifth session of the Supervisory Committee.

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

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

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

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

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

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

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

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

Please refer to the section headed "Remuneration received by senior management from the Company for the year" for details of the annual remuneration received by Mr. Ji Qinying (executive Director and general manager) and Mr. Qi Shengli (executive Director and deputy general manager). Mr. Wu Jianping (executive Director) received a total remuneration (before tax) of RMB685,179 from the Company during the Reporting Period for his office as officer-in-charge of the Regional Committee in Guangdong and chairman of Prosperity Conch.

During the Reporting Period, Mr. Ding Feng (staff representative Supervisor) received a total remuneration (before tax) of RMB410,091 from the Company, among which RMB112,982 was basic salaries; RMB264,833 was bonus and RMB32,276 was housing provident fund and various insurances.

During the Reporting Period, Mr. Guo Wensan (chairman and executive Director of the Company), Mr. Guo Jingbin (executive Director) and Mr. Wang Jun (chairman of the Supervisory Committee) did not receive any remuneration from the Company, and will not request the Company for payment of remuneration for the Reporting Period.

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

Name	Position	(RMB) Allowances
Kang Woon	Independent non-executive Director	100,000
Chan Yuk Tong	Independent non-executive Director	100,000
Wang Yanmou	Supervisor	80,000
Total		280,000

During the Reporting Period, Mr. Ding Meicai, an independent non-executive Director of the Company, did not receive any remuneration and allowances from the Company and will not request the Company for payment of remuneration and allowance for the Reporting Period. The office and business trip expenses incurred by Mr. Ding were reimbursed and paid by the Company.

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

Name	Position	(Unit: RMB) Remuneration for the year (before tax) (Note 1)
Ji Qinying (Note 2)	Executive Director and general manager	529,407
Qi Shengli	Executive Director and deputy general manager	995,873
Wang Pengfei	Deputy general manager	993,151
He Chengfa	Deputy general manager	966,101
Zhang Mingjing	Deputy general manager and company secretary	844,844
Wu Bin	Assistant to general manager	733,834
Li Leyi	Deputy chief engineer of technical art	795,735
Total		**5,858,945**

Notes:

1. The above-mentioned annual remunerations included basic salary, bonus, housing provident fund and various insurances.

2. As Mr. Ji Qinying (executive Director and general manager) also serves as the executive deputy general manager of Conch Holdings, his annual remuneration is subject to review and approval by Anhui SASAC. The Company paid Mr. Ji Qinying the remuneration in accordance with the document Wan Guozi Fenpei Han [2010] No.625 promulgated by Anhui SASAC. Under the terms and requirements of the said document, the Company shall deposit 30% of Mr. Ji's bonus (equivalent to RMB110,460) in a designated account which will be released based on the assessment results upon the expiry of his tenure of office.

4. Decision-making process and basis for determining remuneration

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

(6) HIGHEST PAID INDIVIDUALS

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

(7) EMPLOYEES

As at 31 December 2010, there were 33,123 staff members under the employment of the Group, of which 23,896 were production staff members, 1,259 were sales staff members, 5,697 were technical staff members, 575 were finance staff members, 529 were administrative and management staff members. 13,492 of them had secondary and higher education, of which 7,747 received tertiary education or above. The aggregate remuneration of the employees of the Group for the year amounted to RMB1,293.00 million. The Company was not required to bear expenses of resigned or retired staff.

(8) PENSION INSURANCE

Details of the pension insurance are set out in Note 6(b) to the financial statements prepared in accordance with IFRS. Pension recorded in the income statement of the Group for the year ended 31 December 2010 amounted to RMB142.58 million.

(9) STAFF HOUSING

Under the relevant regulations of the PRC government, contributions based on a certain percentage of the employees' salaries shall be made by the Group to the housing welfare fund. Save for the above, the Group has no other liabilities nor does it provide any scheme for provision of staff housing. For the year ended 31 December 2010, the total housing welfare fund paid by the Group amounted to approximately RMB58.43 million.

(1) CORPORATE GOVERNANCE

Since the listing of the Company on the Stock Exchange and the SSE in 1997 and 2002 respectively, the Company has been continuously improving its corporate governance structure, perfecting the internal control and management systems and regulating its operation in accordance with the relevant domestic and overseas listing rules and regulatory requirements. Shareholders in general meeting, the Board and the Supervisory Committee have clearly defined power and duties, each assuming and performing its specific responsibilities and making its own decisions in an independent, efficient and transparent manner.

The general meeting is the body with the highest authority in the Company and operates in accordance with the Rules of Procedure of General Meeting. During the Reporting Period, legal advisers were present in witness of the general meetings of the Company and legal advice were obtained in connection with the convention of general meetings to ensure that decision-making procedures and contents of general meetings are legal and valid and that shareholders can fully exercise their own rights.

The Board is the decision-making body for business operation of the Company, accountable to the shareholders in general meeting. It operates in accordance with the Articles and the Rules of Procedure of Board Meeting. The Directors of the Company organize and implement various resolutions of the general meeting in a diligent, prudent and responsible manner through scientific decisions to facilitate the healthy and sound development of the Company.

The Supervisory Committee is a monitoring body of the Company, accountable to the shareholders in general meeting. It operates in accordance with the Rules of Procedures of Supervisory Committee. The Supervisors of the Company effectively monitor the performance of duties of the Directors and senior management and the legal compliance in the Company's operation.

During the Reporting Period, details of the proceedings of the general meeting, the Board and the Supervisory Committee of the Company are set out in the sections headed "Summary of General Meetings", "Report of the Directors" and "Report of the Supervisory Committee".

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

In order to ensure that the independent non-executive Directors properly perform their relevant duties and effectively execute their functions, the Company has formulated the Working Regulations for Independent Directors in accordance with the "Guidance opinion on the establishment of regulations for independent directors of listed companies" issued by CSRC, the relevant requirements of the Listing Rules of SSE and the Listing Rules of the Stock Exchange.

During the Reporting Period, the independent non-executive Directors have, in accordance with the requirements of the Articles, the Working Regulations for Independent Directors, the Terms of Reference of the Remuneration and Nomination Committee and the Terms of Reference of the Audit Committee, diligently performed their duties in line with the principles of integrity and diligence. They attended in person the Board meetings and general meetings which were convened in 2010, convened various specialized committee meetings, attended on a timely basis to the reporting by the Company's management on production and operations and significant events for 2010, conducted onsite visit of the Company's production sites, participated in the major decisions made by of the Company, and exercised their professional expertise to provide reasonable advice and recommendations about the operations and development of the Company from a professional point of view, hence lawfully safeguarding the interests of the minority shareholders.

During the Reporting Period, the independent non-executive Directors have reviewed the external guarantees, connected transactions, and appropriation of part of idle fund-raising proceeds to supplement working capital for the year ended 31 December 2010, and expressed their independent views on the above matters.

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

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

1. Operations

The principal business of the Company, which is fully independent of that of its controlling shareholder, is the production and sales of cement and commodity clinker products. The Company's controlling shareholder and its subsidiaries are not engaged in business that competes with that of the Company.

2. Personnel

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

3. Assets

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

4. Organization

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

5. Finance

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

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

The Company assesses, provides incentive for and regulates its senior management and the operation team of its subsidiaries by implementing an annual remuneration system and annual target responsibility system. At the beginning of the year, the Company will enter into annual targets responsibility letters with members of senior management and members of operation team of its subsidiaries in respect of key indicators such as production and sales volume, costs, profit and management objectives and requirements of annual performance of duties. At the end of the year, such members of senior management and members of operation team of its subsidiaries will be assessed by a professional examination and performance appraisal team set up by the Company as to the review of annual business performance and management abilities, and the integrated appraisal of annual performance of duties of such members, who will then be awarded with annual remuneration according to such annual performance review and integrated appraisal results.

(5) CORPORATE GOVERNANCE

1. Code on Corporate Governance Practices

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

2. Securities transactions by Directors

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

3. The Board

Composition of the Board is as follows:

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

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

During the Reporting Period, three meetings of the Board were held. In addition, voting on resolutions were conducted by means of telecommunication and written resolutions, with a total of 42 resolutions passed during the Reporting Period. The attendance and voting rates of the Directors are set out as follows:

Name	Attendance rate of physical meeting	Voting rate of resolutions
Guo Wensan	100%	100%
Kang Woon	100%	100%
Chan Yuk Tong (Note)	100%	100%
Ding Meicai	100%	100%
Guo Jingbin	100%	100%
Ji Qinying	100%	100%
Qi Shengli	100%	100%
Wu Jianping	100%	100%

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

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

4. Chairman and Chief Executive Officer

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

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

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

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

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

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

6. **Remuneration and nomination of Directors**

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

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

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

During the Reporting Period, the Remuneration and Nomination Committee held one meeting. All committee members attended the meeting which was held on 24 March 2010, with the following resolutions considered and approved: (i) proposal for candidates as executive Directors of the fifth session of the Board; (ii) remuneration of the senior management of the Company for year 2009; (iii) remuneration appraisal targets of the senior management of the Company for year 2010.

The Remuneration and Nomination Committee reviewed the remunerations in respect of the Directors, Supervisors and members of senior management of the Company for year 2010 and considered that their respective remunerations were in line with the relevant requirements of the remuneration policy of the Company and were consistent with the annual performance appraisal results.

The Remuneration and Nomination Committee of the fifth session of the Board of the Company comprised of four members, namely Mr. Kang Woon, Mr. Chan Yuk Tong, Mr. Ding Meicai and Mr. Guo Jingbin, with Mr. Kang Woon acted as the chairman.

7. **Audit Committee of the Board**

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

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

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

During the Reporting Period, the Audit Committee held five meetings. Mr. Chan Yuk Tong was unable to attend one of the meetings at which the 2010 interim report was proposed for review and approval due to his other business engagement and Mr. Kang Woon was appointed and authorized by Mr. Chan Yuk Tong to attend the said meeting and exercise the voting rights on his behalf. Other than that, the remaining four meetings were attended by all of the committee members in person.

(1) On 14 January 2010, the Audit Committee held telephone conference with the auditors of the Company, KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants (collectively referred to as “KPMG”), to discuss and determine the time table for the audit of the annual report for the year 2009. The Audit Committee reviewed the financial statements prepared by the Company for the year 2009 and agreed to allow the auditors to conduct field audit in the Company for the year 2009.

(2) On 1 March 2010, upon issue of the preliminary auditors’ report by the auditors, the Audit Committee, after further reviewing the 2009 financial statements, considered that the auditors had completed the audit conscientiously within the scheduled time frame.

(3) On 24 March 2010, the Audit Committee meeting was convened which considered and passed the following resolutions: (i) the financial statements for the year ended 31 December 2009 prepared in accordance with PRC Accounting Standards and IFRS; (ii) the connected transactions which took place in 2009; (iii) the annual report and its summary for year 2009; (iv) the report of internal control for year 2009; (v) the resolution regarding the provision of guarantee for bank loans granted to subsidiaries; and (vi) the resolution regarding the recommendation to the Board to re-appoint KPMG Huazhen Certified Public Accountants, and KPMG Certified Public Accountants as the PRC auditors and the international auditors of the Company respectively.

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

(5) On 11 August 2010, the Audit Committee held a meeting which considered and approved the following resolutions: (i) the unaudited interim (half-yearly) financial report for year 2010 prepared in accordance with IFRS and PRC Accounting Standards respectively; (ii) the interim report for year 2010 and its summary and the interim results announcement.

Since the commencement of the audit of the financial statements of the Company for the year ended 31 December 2010, the Audit Committee has been participating in the whole process:

(1) Prior to the commencement of audit work by the auditors, the Audit Committee first reviewed the 2010 financial statements prepared by the Company and agreed to allow the auditors to conduct field audit. In the course of conducting audit of annual report, the Audit Committee requested KPMG to diligently complete the audit work on the financial statements according to the work plans.

(2) Following the issuance of preliminary auditors' report by the auditors, the Audit Committee reviewed again the 2010 financial statements and considered that the auditors had completed the audit work conscientiously within the scheduled time frame.

(3) On 22 March 2011, the Audit Committee issued a summary report in respect of the audit work for the Company for year 2010 performed by KPMG and made objective assessment on the work conducted by KPMG: during the process of conducting the audit work for Conch Cement for year 2010, KPMG was able to adhere strictly to the China Auditing Standards for Certified Public Accountants and Hong Kong Standards on Auditing and other regulations in performing its audit and was able to perform its audit functions well. Accordingly, it recommended the Board to re-appoint KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants as the PRC auditors and the international auditors of the Company respectively.

The financial report and results announcement of the Company for year 2010 have been reviewed by the Audit Committee. All the Directors of the Company agree and acknowledge their individual and joint responsibility for preparing the accounts as contained in the financial reports for the year under review.

8. Auditors and remuneration

Pursuant to the resolution considered and approved by the annual general meeting for year 2009, the Company engaged KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants as the PRC auditors and the international auditors of the Company for the year ended 31 December 2010 respectively. The audit and other service fees payable to KPMG by the Company for the year ended 31 December 2010 amounted to RMB4.25 million. Among which, the audit fee amounted to RMB4.24 million and the other service fees amounted to RMB10,000. In addition, the Company was required to reimburse KPMG for lodging and travelling expenses incurred for field audit.

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

(6) ESTABLISHMENT AND SOUNDNESS OF INTERNAL CONTROL SYSTEM OF THE COMPANY

1. General information about the development of internal control system

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

The Company has established a professional management division on internal control - the Audit Office. Duties of the Audit Office are to perform independent audit supervision, assessment and service functions within the Group in accordance to the relevant internal audit standards of the PRC, to undertake audit of economic liability after termination of office, routine audit of production and management upon integrating the progressive management focus of the Company. The Audit Office monitors the Company's finance, supplies, sales and project investments, with a view to enable pre-action precautions, concurrent supervision and post-action inspections, hence timely discovers the drawback in the Company's critical management sections and effectively eliminates risks.

2. Soundness of internal control system relating to financial reporting

In accordance with the laws and regulations such as the Accounting Law, PRC Accounting Standards, Basic Regulations on Enterprise Internal Control and Implementation Guidelines for Enterprise Internal Control, the Company has formulated a unified set of accounting policies and various financial control systems; and has established a sound internal control system on financial reporting. Relevant work procedures and approval procedures are clearly established, which enhance the procedural management on preparation, external disclosure, analysis and use of financial reports in an effort to ensure legal compliance of financial reporting as well as the accuracy and reliability of financial information. During the Reporting Period, the Company also formulated four systems, namely the Administrative Rules on Avoiding the Misappropriation of Funds by Controlling Shareholders and Related Parties; Operational Manual on Settlement of Completed Projects; Procedures on Settlement of Logistics Expenses; and Guidelines on Audit of Residual Heat Electricity Generation CDM Business, so as to further regulate and improve the management procedures of relevant businesses and development of control systems.

3. Defects and rectifications of internal control relating to financial reporting

In 2010, the internal control system on financial reporting of the Company operated smoothly and effectively. No material defects were identified regarding the design and execution of internal control system. The Company will actively follow the laws and regulations including the Basic Regulations on Enterprise Internal Control and Implementation Guidelines for Enterprise Internal Control promulgated by the five ministries and committees including the Ministry of Finance to push ahead the establishment of the internal control system, to improve the internal control policy of the Company, to step up the examination of internal control, and to establish an effective and long-term mechanism for monitoring and maintenance of internal control. The effective operation of internal control of the Company is thereby ensured, the level of operation management of the Company and its ability to resist risks are enhanced, with a view to facilitating the sustainable development of the Company.

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

The Company has formulated the Measures on the Accountability for Material Errors in Annual Report Information Disclosure in order to improve the level of regulated operation, strengthen the truthfulness, accuracy, completeness and timeliness of information disclosure and enhance the quality and transparency of the annual report information disclosure.

During the Reporting Period, the Company strictly complied with the requirements under the relevant laws and regulations on annual reports stipulated under No. 2: "Content and Format of Annual Reports" of "Standards of Contents and Format for Information Disclosure of Listed Issuers" (as revised in 2007) issued by the CSRC and the Listing Rules of the Stock Exchange in the preparation of annual report which is disclosed after due performance of approval procedures. No material errors were identified in the annual report information disclosure.

(8) PEER COMPETITION AND CONNECTED TRANSACTION DUE TO PARTIAL RESTRUCTURING

No peer competition or connected transaction due to factors including partial restructuring were identified by the Company.

① Thriving Spring at Conch

② Residual heat electricity generation project of Tongling Conch

③ Waste treatment project of Tongling Conch

④ Conch impression: Beauty of Harmony

During the Reporting Period, the Company held one general meeting, i.e. annual general meeting for the year 2009, details of which were set out as follows:

On 3 June 2010, the annual general meeting of the Company for the year 2009 was held in the conference room of the Company. Resolutions passed at the general meeting were published in Shanghai Securities Journal on 4 June 2010.

MACRO-ENVIRONMENT

In 2010, the Chinese government maintained consistency and stability of the macro-economic policy through proactive execution of fiscal policy and moderate relaxation of the monetary policy. Apart from stimulating consumption and promoting energy saving and emission reduction, the government also refined economic structure and changed its development approach. All these efforts enabled China to maintain a stable and rapid economic growth in 2010, with a year-on-year GDP growth rate of 10.3%, up by 1.6 percentage points from that of the previous year. Fixed asset investment saw a year-on-year growth rate of 23.8%, down by 6 percentage points from that of the previous year, while property investment sustained a year-on-year growth rate of 33.2%. *(Source: National Bureau of Statistics of China)*

In 2010, the government increased investment in infrastructural development such as affordable housing, high-speed rail and energy facilities, leading to a year-on-year growth of 15.53% in demand for cement. The government also focused on adjusting economic structure and boosting industry upgrade, whilst continuing to restrict the review and approval of cement projects and accelerate the phasing out of obsolete cement production capacity. The growth of investment in cement industry slowed down remarkably. Cement investment for the year only increased by 3.19% year-on-year, reflecting a substantial decrease of 58.6 percentage points from the growth rate of the previous year. The percentage of production capacity utilizing new dry-process accounted for 80%. The top 20 cement manufacturers in China accounted for 45% of the annual clinker production capacity in the country. In general, the cement industry structure in China improved with increasing concentration and better demand and supply relationship, thus maintaining a sound and healthy growth momentum. *(Sources: Digital Cement/ China Building Materials News)*

ANALYSIS OF OPERATIONAL CONDITIONS

Operations

In 2010, the Group proactively responded to changes in the macro-economy and industrial policies. The Group captured the opportunities arising from the improved market supply and demand alignment and intensified its marketing efforts, thereby increasing its market share and profitability. Through management and technical innovation, the Group pushed ahead with refined management of internal operation to drive improvement in operations through energy saving, cost reduction and efficiency enhancement. During the Reporting Period, in accordance with the PRC Accounting Standards, the Group's revenue from principal activities amounted to RMB34,036 million, representing an increase of 37.89% from that of the previous year; its net profit attributable to equity shareholders of the Company amounted to RMB6,171 million, representing a year-on-year increase of 74.12%; and earnings per share were RMB1.75. In accordance with IFRSs, the revenue amounted to RMB34,508 million, representing an increase of 38.04% from that of the previous year; its net profit attributable to equity shareholders of the Company amounted to RMB6,163 million, representing an increase of 75.8% from that of the previous year; and earnings per share were RMB1.74.

During the Reporting Period, construction of 14 clinker production lines each with a daily production capacity of 5,000 tonnes located at subsidiaries, such as Dazhou Conch, Guangyuan Conch, Chongqing Conch and Linxiang Conch, and 37 cement grinding units located at subsidiaries, such as Pingliang Conch, Dazhou Conch and Ganjiang Conch, were completed and put into operation, resulting in additional clinker production capacity of 25.2 million tonnes and additional cement production capacity of 40.1 million tonnes. As at the end of 2010, the Group's clinker production capacity and cement production capacity reached 130 million tonnes and 150 million tonnes respectively. For the full year of 2010, the Group produced a total of 115 million tonnes of clinker and 110 million tonnes of cement, representing increases of 18% and 12% respectively from those of the previous year.

In 2010, the Group also made rapid progress in the aspects of energy conservation and environmental protection. During the year, 11 sets of residual heat electricity generation units located at subsidiaries, such as Pingliang Conch, Dazhou Conch and Linxiang Conch, were put into operation with an additional combined installed capacity of 108MW and combined residual heat generated electricity of approximately 3.6 billion kwh. As at the end of 2010, the Group had in total 43 residual heat electricity generation units with a total installed capacity of 623MW. In addition, an urban waste treatment project through the use of a 5,000t/d clinker production line at Tongling Conch was put into operation. About 300 tonnes of urban waste were treated on a daily basis. With all environmental protection specifications up to the national emission standards, the project has gained a desirable social effect.

Sales Market Overview

The Group's cement and clinker markets mainly located in four regional markets, namely East China, South China, Central China and West China. In 2010, the Group achieved steady increase in sales in each of the regional markets with strengthened market deployment abilities and dominance.

In 2010, the Group achieved an aggregate net sales volume of cement and clinker of 137 million tonnes, representing a year-on-year growth of 15.89%. In the East, Central and South China markets, the Group capitalized on the phasing power rationing and output control initiatives as well as the improved supply and demand relationship to lift selling prices, resulting in a relatively significant increase in sales amount. In the West China region, the Group realized a year-on-year growth of 229.02% in sales volume and 287.20% in sales amount, as new projects were put into production as scheduled.

Markets and Sales by Region

Sales Amount by Region

Region	2010 Sales amount (RMB'000)	2010 Percentage (%)	2009 Sales amount (RMB'000)	2009 Percentage (%)	Increase/ (decrease) in sales amount (%)	Change in sales proportion (percentage points)
East China note 1	**13,015,389**	**38.24**	10,099,796	40.92	28.87	(2.68)
Central China note 2	**10,072,893**	**29.59**	7,166,334	29.03	40.56	0.56
South China note 3	**7,734,749**	**22.73**	5,567,900	22.56	38.92	0.17
West China note 4	**1,526,353**	**4.48**	394,204	1.60	287.20	2.88
Export	**1,686,898**	**4.96**	1,455,404	5.89	15.91	(0.93)
Total	**34,036,282**	**100**	24,683,638	100	37.89	–

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

The features of the Group's various regional markets are as follows:

East China Market: As the market demand and supply relationship was significantly improved by the phasing power rationing and output control initiatives, selling prices rose steadily and profitability increased considerably. In 2010, the Group's sales amount in this region rose by 28.87% on a year-on-year basis to RMB13,015.39 million, accounting for 38.24% of the Group's total sales amount; sales volume in this region rose by 3.92% on a year-on-year basis, accounting for 37.33% of the Group's total sales volume.

Central China Market: Benefiting from the State's strategy for Central China development and the implementation of the strategy of designating the Wanjiang city belt as the demonstrative area for industrial transfer, the construction of infrastructure, high-speed rail and urbanization in the region had stimulated the growth in cement demand. The Group made a timely adjustment to its sales strategy and thereby achieved a steady growth in sales volume. In 2010, the Group's sales volume in this region rose by 19.52% on a year-on-year basis, accounting for 30.47% of the Group's total sales volume.

South China Market: As the fixed asset investment in Guangdong province and Guangxi province rose by 20.7% and 37.7% respectively from those of the previous year, and there were a relatively large number of infrastructure development projects, cement demand increased steadily. The Group obtained cement supply contracts for a large number of key infrastructure projects including Guizhou-Guangzhou Railway, Xiamen-Shenzhen Railway and Yunnan-Guangxi Railway. In 2010, the Group's sales volume in this region rose by 16.48% on a year-on-year basis, accounting for 20.97% of the Group's total sales volume.

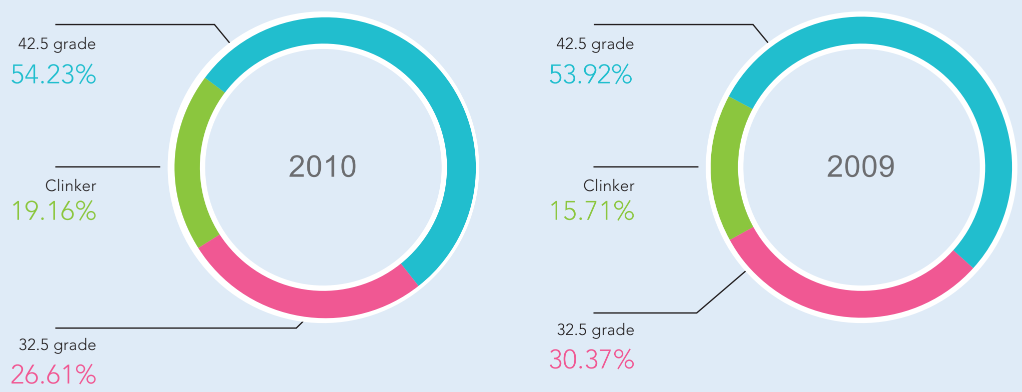
West China Market: Despite the growing cement demand driven by relatively high level of fixed asset investment as a result of post disaster reconstruction, market competition remained fierce due to the release of concentration of new production capacity in Sichuan and Chongqing. In 2010, the Group's sales volume in this region rose significantly by 229.02% on a year-on-year basis, as a number of new projects were completed and commended production.

International Market: In response to increase in cement demand on gradual market recovery, the Group increased sales volume by intensifying efforts to expand emerging markets such as Africa, South America, etc. The Group's total export volume in 2010 grew by 14.34% on a year-on-year basis.

SALES BY TYPE OF PRODUCTS

During the Reporting Period, the Group's newly constructed clinker production lines commenced production, resulting in an increase in sales volume of clinker. The percentage of sales amount of clinker increased by 3.45 percentage points over that in the same period last year.

Percentage of sales amount by type of products



PROFIT ANALYSIS

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

Item	Amount 2010 (RMB'000)	2009 (RMB'000)	Change from that of the previous year (%)
Revenue from principal activities	**34,036,282**	24,683,638	37.89
Profit from operations	**7,615,883**	4,260,155	78.77
Profit before taxation	**8,078,332**	4,476,543	80.46
Net profit attributable to equity shareholders of the Company	**6,171,403**	3,544,365	74.12

During the Reporting Period, driven by increasing sales volume of products and rising selling price, the Group's profit from operations amounted to RMB7,615.88 million, representing a year-on-year increase of 78.77%; its net profit attributable to equity shareholders of the Company increased by 74.12% on a year-on-year basis.

2010 gross profit by type of products and year-on-year comparison

Product	Revenue from principal activities (RMB'000)	Costs of principal activities (RMB'000)	Gross profit margin for the Reporting Period (%)	Gross profit margin for the same period last year (%)	Year-on-year change in gross profit margin (percentage point)
42.5 grade cement	18,459,908	12,606,342	31.71	27.32	4.39
32.5 grade cement	9,055,767	5,573,977	38.45	32.82	5.63
Clinker	6,520,607	4,820,807	26.07	25.45	0.62
Total	34,036,282	23,001,126	32.42	28.70	3.72

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

In 2010, the Group's gross profit grew steadily, with a consolidated gross profit margin of 32.42%, an increase of 3.72 percentage points over that of last year. In particular, the gross profit margin of 32.5 grade cement and 42.5 grade cement rose by 5.63 percentage points and 4.39 percentage points over those of last year respectively, mainly attributable to the substantial increase in the selling price due to improved demand and supply balance in the cement market, resulting in higher profitability of products.

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

Expenses for the period	**2010 amount** (RMB'000)	**2009 amount** (RMB'000)	**As a percentage of revenue from principal activities for the Reporting Period** (%)	**As a percentage of revenue from principal activities for the same period last year** (%)	**Change in percentage of revenue from principal activities** (percentage points)
Selling expenses	**1,546,451**	1,419,569	4.54	5.75	(1.21)
Administrative expenses	**1,254,146**	976,170	3.68	3.95	(0.27)
Financial expenses (net)	**480,986**	356,469	1.42	1.45	(0.03)
Total	**3,281,583**	2,752,208	9.64	11.15	(1.51)

During the Reporting Period, the above three expense items (i.e. selling expenses, administrative expenses and financial expenses) of the Group were controlled effectively, and each as a percentage of revenue from principal activities decreased with various degrees. The above three expense items in aggregate accounted for 9.64% of the revenue from principal activities, representing a year-on-year decrease of 1.51 percentage points.

FINANCIAL POSITION

Assets and Liabilities Structure

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

Item	As at 31 December 2010 (RMB'000)	As at 31 December 2009 (RMB'000)	Change as at the end of the Reporting Period to those as at the beginning of the year (%)
Fixed assets	**32,751,828**	25,609,417	27.89
Current and other assets	**27,660,025**	21,539,081	28.42
Total assets	**60,411,853**	47,148,498	28.13
Current liabilities	**13,077,027**	12,073,311	8.31
Non-current liabilities	**11,703,004**	5,772,307	102.74
Minority interests	**628,541**	543,241	15.70
Equity attributable to shareholders of the Company	**35,003,281**	28,759,639	21.71
Total liabilities and shareholders' equity	**60,411,853**	47,148,498	28.13

As at 31 December 2010, the Group's non-current liabilities prepared in accordance with the PRC Accounting Standards amounted to RMB11,703.00 million, representing an increase of 102.74% as compared with that at the end of the previous year, mainly due to the increase in long-term borrowings for development of construction projects and daily operating needs of the Group. As at 31 December 2010, the Group's gearing ratio prepared in accordance with the PRC Accounting Standards was 41.02%, representing an increase of 3.17 percentage points as compared with that at the end of the previous year. The Group maintained a relatively sound financial structure.

As at 31 December 2010, the Group's total assets prepared in accordance with the PRC Accounting Standards amounted to RMB60,411.85 million, representing an increase of 28.13% as compared with that at the end of the previous year; equity attributable to shareholders of the Company amounted to RMB35,003.28 million, representing a growth of 21.71% as compared with that at the end of the previous year; net assets per share attributable to shareholders of the Company was RMB9.91, representing an increase of 21.71% as compared with that at the end of the previous year.

As at 31 December 2010, the Group's fixed assets prepared in accordance with the PRC Accounting Standards amounted to RMB32,751.83 million, representing an increase of 27.89% as compared with that at the end of the previous year. Such increase was mainly attributable to the re-classification of the projects under construction to fixed assets, after completion and commencement of production of part of the Group's projects including clinker production lines, cement grinding and residual heat electricity generation units during the Reporting Period. The Company's current and other assets amounted to RMB27,660.03 million, up by 28.42% as compared with that at the end of the previous year, which was primarily due to the increase in the book balance of notes receivable and inventory at the end of the period.

As at 31 December 2010, the total current assets and total current liabilities of the Group prepared in accordance with the PRC Accounting Standards amounted to RMB13,228.43 million and RMB13,077.03 million respectively, with a current ratio of 1.01:1 (corresponding period last year: 0.84:1). The total current assets and total current liabilities of the Group prepared in accordance with the IFRSs amounted to RMB13,501.59 million and RMB13,077.03 million respectively, with a net gearing ratio of 0.33 (corresponding period last year: 0.21).

Liquidity and Sources of Funds

Maturity analysis of bank loans and other borrowings of the Group as at 31 December 2010:

	As at 31 December 2010 (RMB'000)	As at 31 December 2009 (RMB'000)
Due within 1 year	**3,171,523**	4,183,280
Due after 1 year but within 2 years	**2,387,773**	1,279,130
Due after 2 years but within 5 years	**8,499,068**	3,390,310
Due after 5 years	**84,545**	724,182
Total	**14,142,909**	9,576,902

As at 31 December 2010, the Group's borrowings which are due after 2 years but within 5 years amounted to RMB8,499.07 million, an increase of RMB5,108.76 million from that at the beginning of the year, mainly attributable to the Group's borrowings of medium-term notes from Conch Holdings, the controlling shareholder, during the Reporting Period.

ANALYSIS OF CASH FLOW

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

	2010 (RMB'000)	2009 (RMB'000)
Net cash flows generated from operating activities	**6,010,307**	7,029,352
Net cash flows used in investing activities	**(10,341,206)**	(7,813,154)
Net cash flows generated from/(used in) financing activities	**3,447,171**	(2,394,532)
Net decrease in cash and cash equivalents	**(883,728)**	(3,178,334)
Balance of cash and cash equivalents at the beginning of the year	**3,572,877**	6,751,211
Balance of cash and cash equivalents at the end of the year	**2,689,149**	3,572,877

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB6,010.31 million, representing a decrease of RMB1,019.04 million as compared with that of last year. Such decrease was mainly attributable to the Group's repayment of bank acceptance bills upon maturity and the increase in undue bank acceptance bills due from customers during the Reporting Period.

During the Reporting Period, the Group's net cash outflows from investing activities increased by RMB2,528.05 million as compared with that of last year, which was mainly due to an increase in cash outflow from investing activities as a result of the Group's greater investments in construction projects.

During the Reporting Period, the Group's net cash inflows from financing activities increased by RMB5,841.70 million, primarily as a result of the increase in borrowings of the Group during the Reporting Period, as compared to the net cash outflows from financing activities due to the repayment of borrowings and maturity of discounted bank acceptance bills for repayment in the same period of last year.

CAPITAL EXPENDITURE

During the Reporting Period, the capital expenditure of the Group amounted to approximately RMB9.3 billion, which was primarily used in the investment in construction of cement and clinker production lines and the residual heat electricity generation projects.

As at 31 December 2010, capital commitments in respect of the purchase of machinery and equipment for production that were committed but had not been provided for in the accounts are set out as follows:

	As at 31 December 2010 (RMB'000)	As at 31 December 2009 (RMB'000)
Authorised and contracted for	**13,614,304**	4,425,361
Authorised but not contracted for	**3,287,417**	8,705,135
Total	**16,901,721**	13,130,496

Items measured by fair value

In accordance with the relevant requirements of the PRC Accounting Standards, the Group recognises the financial assets held for trading at the fair value of the forward exchange contract for the purpose of hedging and any changes of fair value will be recognized in the profit or loss for the period (please refer to note 2(9) and note 5(2) to the financial statements prepared in accordance with the PRC Accounting Standards for details). The Group has adopted the market price of assets at the end of the period (i.e. the closing price at the year-end) as the fair value of available-for-sale financial assets and any changes of fair value would be recognised in capital reserve (for details, please refer to notes 2(9) and 5(9) to the financial statements prepared in accordance with the PRC Accounting Standards). For details of the risk analysis of financial instruments, please refer to the other material matters (3) under note 10 to the financial statements prepared in accordance with the PRC Accounting Standards. During the Reporting Period, there was no major change in the measurement of the major assets of the Group.

Unit: RMB'000

Item	**Amount as at the beginning of the period**	**Fair value movement for the period**	**Accumulated fair value movement recognized in equity**	**Impairment recognized for the period**	**Amount as at the end of the period**
Financial assets					
Of which:					
1. Financial assets at fair value through profit or loss	–	1,753	–	–	1,753
Of which: Derivative financial assets	–	1,753	–	–	1,753
2. Available-for-sale financial assets	2,343,992	–	2,053,095	–	3,754,675
Financial assets sub-total	2,343,992	1,753	2,053,095	–	3,756,428

Financial assets and financial liabilities denominated in foreign currency:

Unit: RMB'000

Item	Amount as at the beginning of the period	Fair value movement for the period	Accumulated fair value movement recognized in equity	Impairment recognized for the period	Amount as at the end of the period
Financial assets					
Of which:					
1. Financial assets at fair value through profit or loss	–	1,753	–	–	1,753
Of which: Derivative financial assets	–	1,753	–	–	1,753
2. Loans and receivables	49,278	–	–	–	25,468
3. Available-for-sale financial assets	–	–	–	–	–
4. Investment held to maturity	–	–	–	–	–
Financial assets sub-total	49,278	1,753	–	–	27,221
Financial liabilities					
Of which:					
1. Financial liabilities carried at amortised cost	76,849	–	–	–	24,002
Financial liabilities sub-total	76,849	–	–	–	24,002

Note: During the Reporting Period, the assets denominated in foreign currency held by the Group were mainly US Dollar-denominated and Euro-denominated assets which included receivables and bank deposits, equivalent to RMB25.47 million and RMB144.9 million respectively; the Group's financial liabilities denominated in foreign currency were mainly US Dollar-denominated liabilities which included advance from customers, equivalent to RMB24.00 million (please refer to note 10(5) to the financial statements prepared in accordance with the PRC Accounting Standards for details). The foreign currency transactions conducted during the Reporting Period were translated at the exchange rate on the date of transaction, and translated at the rate on the balance sheet date as at the end of the year. The exchange difference was recognized in the profit or loss for the period. (Please refer to note 2(8) to the financial statements prepared in accordance with the PRC Accounting Standards for details).

PROSPECT FOR 2011

The year 2011 marks the beginning of China's implementation of the 12th Five-Year Plan. The central government will continue to adopt a proactive fiscal policy and prudent monetary policy in an attempt to tame inflation, adjust structure and stabilize economic growth.

During the 12th Five-Year Plan period, the low-carbon industry development and consumption concept will impose new requirements on the cement industry. The strategic restructuring of national economy will facilitate the change in the development approach of the cement industry. With the *Cement Industry Market Entry Requirements* coming into force, China seeks to keep production capacity from growing too fast while stepping up efforts to eliminate obsolete production capacity. These measures will accelerate consolidation within the industry and continue to improve supply and demand relationship.

According to the *Decision on Accelerating Water Resources Reform and Development* (2011 No. 1 Document of the State Council), the government will invest up to RMB4 trillion over the next 5-10 years to speed up construction of water resources infrastructure. The government will also increase its support for the construction of affordable housing through favorable policies and financial resources. It plans to construct 36 million units of affordable housing over the next 5 years, with the construction of 10 million units commencing in 2011. Such an initiative was aimed to improve social welfare. Implementation of all these measures will serve to facilitate stable growth of cement demand.

2011 presents both opportunities and challenges for the cement industry.

In 2011, the Group will earnestly formulate the strategic development plans in line with the 12th Five Year Plan, fully capturing the opportunities from the strategic restructuring of the national economy to change its development approach and implement the development strategies of combining new construction and acquisition to improve its domestic market presence. The Group will develop recycling economy and roll out the environmental protection project which utilizes the new dry-process kiln for urban waste treatment. The Group also seeks to appropriately extend the supply chain and actively explores an international strategy so as to achieve steady expansion of its global market share as well as a healthy and stable development.

In 2011, the Group's planned capital expenditure will amount to approximately RMB9 billion, which will be funded primarily by internal capital and supplemented by bank loans. The Group will push ahead with the construction of new cement and clinker production lines of Qiyang Conch and expansion of cement and clinker production lines of Liquan Conch, etc., and the construction of three 12,000 t/d cement and clinker production lines and its ancillary residual heat electricity generation projects of Wuhu Conch and Tongling Conch, etc. It is expected that the clinker and cement production capacity will increase by approximately 31.8 million tonnes and 26.9 million tonnes respectively, while the installed capacity of residual heat generated electricity will increase by approximately 166MW for the full year.

In addition, the Group will further improve its internal control system, optimize management structure and fine-tune various business processes. The Group will also enhance regional market organization and increase control over its regional markets on an on-going basis. Furthermore, the Group will expand procurement channels for large volume purchases of raw materials and fuel, such as coal, in order to lower procurement costs. Emphasis is put on the refinement of allocation structure, and the incentive scheme will further be enhanced, so that the corporate competitiveness will continuously increase.

2011 is a new start for the Group in respect of the 12th Five Year Plan. We will move forward with determination, embracing both opportunities and challenges, thereby seeking to create value for our shareholders.

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

(1) PRINCIPAL ACTIVITIES

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

(2) DAILY MANAGEMENT OF THE BOARD

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

1. On 1 February 2010, the Board considered and approved the resolution in respect of the borrowings from Conch Holdings, the controlling shareholder in the sum of no more than RMB4.8 billion. The announcement of the Board resolution was published in Shanghai Securities Journal on 2 February 2010.

2. On 2 February 2010, the Board considered and approved the resolution in respect of the ongoing strategic investment in listed companies engaging in the cement industry for year 2010 in the sum of RMB500 million.

3. On 5 February 2010, the Board considered and approved the resolution in respect of the remuneration of KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants, auditors of the Company, for year 2009.

4. On 24 March 2010, the Board considered and approved the resolution in respect of the establishment of Suzhou Conch Cement Co., Ltd.

5. On 29 March 2010, the Board considered and approved the resolutions in respect of the Company's annual report for year 2009, operating plans and financial budget targets for year 2010. The announcement of the Board resolution was published in Shanghai Securities Journal on 30 March 2010.

6. On 27 April 2010, the Board considered and approved the first quarterly report for year 2010.

7. On 14 May 2010, the Board considered and approved the resolution in respect of establishment of Huangshan Conch Cement Co., Ltd.

8. On 15 May 2010, the Board considered and approved the resolution in respect of the acquisition of part or all of the equity interests of relevant subsidiaries by the Company which settled the cross-shareholding issue between subsidiaries.

9. On 3 June 2010, the Board considered and approved the resolution in respect of the election of Mr. Guo Wensan as the chairman of the fifth session of the Board of the Company. The announcement of the Board resolution was published in Shanghai Securities Journal on 4 June 2010.

10. On 18 June 2010, the Board considered and approved the resolution in respect of the establishment of Huazhou Conch Cement Co., Ltd.

11. On 23 June 2010, the Board considered and approved the resolution in respect of the amendment to the Articles due to the change in registered capital of the Company.

12. On 25 June 2010, the Board considered and approved the resolutions in respect of the connected transaction of the residual heat electricity generation project between the Company and Conch Kawasaki Engineering; the connected transaction of purchase of milling equipment between the Company and Conch Kawasaki Energy Conservation; and the connected transaction of provision of design services for cement and clinker projects by Conch Design to the Company. The announcement of the connected transactions was published in Shanghai Securities Journal on 26 June 2010.

13. On 26 June 2010, the Board considered and approved the resolution in respect of the acquisition of 100% equity interests in Longling Huihe.

14. On 8 July 2010, the Board considered and approved the resolution in respect of the appropriation of idle fund-raising proceeds in the sum of RMB600 million to supplement working capital (for a term of no more than 6 months). The announcement of the Board resolution was published in Shanghai Securities Journal on 9 July 2010.

15. On 30 July 2010, the Board considered and approved the resolution in respect of the establishment of Guangyuan Conch Plastic Packaging Co., Ltd.

16. On 16 August 2010, the Board considered and approved the interim report for Year 2010.

17. On 17 August 2010, the Board considered and approved the resolution in respect of the remuneration of KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants, auditors of the Company for year 2010 in the sum of RMB4.25 million.

18. On 2 September 2010, the Board considered and approved resolution in respect of the establishment of Wuhan Conch Cement Co., Ltd.

19. On 25 October 2010, the Board considered and approved the third quarterly report for year 2010.

20. On 26 October 2010, the Board considered and approved the resolution in respect of the connected transactions between the Company and Conch Holdings, the controlling shareholder regarding the acquisition of 25% equity interests in Anhui Conch and 5% equity interests in Conch Construction held by Conch Holdings. The announcement of the connected transactions was published in Shanghai Securities Journal on 27 October 2010.

21. On 2 December 2010, the Board considered and approved the resolutions in respect of the establishment of Jianghua Conch Cement Co., Ltd. and Jianghua Conch Plastic Packaging Co., Ltd.

Implementation of the resolutions approved at general meetings by the Board

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

1. *Implementation of the profit appropriation for year 2009*

   On 3 June 2010, the resolution of the profit appropriation proposal for the year 2009 was passed at the annual general meeting for year 2009. Based on the total number of issued shares of the Company of 1,766,434,193 shares as at the end of 2009, 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 and the total amount of dividend of RMB618,251,968 (tax inclusive) was paid; and one new share was issued for every one existing share 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.

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

   Pursuant to the authorization granted in the annual general meeting for the year 2009. On 17 August 2010, the Board considered and approved the remunerations of the PRC auditors, KPMG Huazhen Certified Public Accountants, and international auditors, KPMG Certified Public Accountants, in the sum of RMB4.25 million for year 2010.

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

At the annual general meeting for year 2008 held on 5 June 2009, the resolution on the issuance of corporate bonds in an aggregate principal amount of no more than RMB9.5 billion within the PRC was considered and approved. The validity period of the resolution passed at the general meeting is 24 months. As at the end of the Reporting Period, the approval for issuance of corporate bonds was not yet obtained from the relevant competent authorities.

(3) PRINCIPAL INVESTMENTS DURING THE REPORTING PERIOD

1. Use of fund-raising proceeds and progress of investment projects applying fund raised during the Reporting Period

The net proceeds raised from public issue of shares in 2008 amounted to RMB11,282.06 million. As at 31 December 2010, the accumulated proceeds used by the Company amounted to RMB10,681.61 million; whereas the accrued interests and the remaining proceeds amounted to RMB103.75 million and RMB704.20 million respectively. During the Reporting Period, use of funding raising proceeds ("Proceeds"), progress of the investment projects ("Investment Projects") and gains arising therefrom were set out as follows:

(Unit: RMB'000)

Items	Description of the Investment Projects	Progress of the project	Proceeds committed to be used	Actual investment amount	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	1,530,180	1,026,950	103,010
2	2×4,500t/d cement and clinker production lines project of Yiyang Conch	In operation	1,185,960	950,000	60,870
3	4,500t/d cement and clinker production line project of Shuangfeng Conch	In operation	433,100	330,000	133,160
4	4,000t/d cement and clinker production line project of Hunan Conch	In operation	406,000	350,000	61,650

(Unit: RMB'000)

Items	Description of the Investment Projects	Progress of the project	Proceeds committed to be used	Actual investment amount	Gain from the project during the Reporting Period
5	4,000t/d cement and clinker production line project of Xing'an Conch	In operation	378,360	288,530	266,030
6	4,000t/d cement and clinker production line project (phase one) of Beiliu Conch	In operation	453,200	327,460	84,820
7	4,500t/d cement and clinker production line project (phase two) of Beiliu Conch	In operation	277,220	265,130	101,360
8	2×18MW residual heat electricity generation project of Chizhou Conch	One in operation One under construction	262,770	98,610	67,300
9	18MW residual heat electricity generation project of Zongyang Conch	In operation	132,970	75,030	49,850
10	12MW residual heat electricity generation project of Baimashan Cement Plant	In operation	93,540	59,760	40,450
11	18MW residual heat electricity generation project of Huaining Conch	In operation	131,650	120,660	77,220
12	11.6MW and 17MW residual heat electricity generation projects of Chizhou Conch	In operation	216,530	185,740	114,370
13	15MW and 18.5MW residual heat electricity generation projects of Zongyang Conch	In operation	275,060	269,390	133,100
14	18MW residual heat electricity generation project of Beiliu Conch	In operation	133,020	86,690	61,140
15	18MW residual heat electricity generation project of Xing'an Conch	In operation	133,040	90,000	60,520

(Unit: RMB'000)

Items	Description of the Investment Projects	Progress of the project	Proceeds committed to be used	Actual investment amount	Gain from the project during the Reporting Period
16	18MW residual heat electricity generation project of Shimen Conch	In operation	130,000	70,000	30,000
17	18MW residual heat electricity generation project of Shuangfeng Conch	In operation	130,000	90,000	68,290
18	9.1MW residual heat electricity generation project of Hunan Conch	In operation	65,000	50,070	26,190
19	The spare parts processing centre project of Anhui Conch Mechancial & Electrical Equipment Co., Ltd.	In operation	330,000	138,110	62,240
20	The new dry-process kiln for urban waste treatment project of Tongling Conch	In operation	154,340	116,300	–
21	The energy conservation technology upgrade project of the Company	Completed	38,450	33,360	35,970
22	The optimization of financial structure and repayment of bank loans project	Repaid	2,000,000	2,098,000	–
	Total	–	8,890,390	7,119,790	1,637,540

Notes:

1. The above Investment Projects were projects that are financed by the Proceeds subsisting during the Reporting Period;

2. The excess of the actual repayment of bank loans over the Proceeds committed to be used is attributable to the interests incurred on the Proceeds.

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

(Unit: RMB'000)

Items	Description of investment projects	Progress of the project	Fund used during the Reporting Period	Gain from project during the Reporting Period
1	Project of 2X4,500t/d cement and clinker production lines (phase one) and 18MW residual heat electricity generation unit of Liquan Conch	Under Construction	934,870	–
2	Project of 2X12,000t/d clinker production lines (phase three) and 36MW residual heat electricity generation unit of Wuhu Conch	Under Construction	674,130	–
3	Project of 4,500t/d clinker production line and 9MW residual heat electricity generation unit of Jining Conch	In partial operation	617,730	10,320
4	Project of 4,500t/d clinker production line, 9MW residual heat electricity generation unit and 2.20 million tonnes cement grinding of Qianyang Conch	In partial operation	517,530	–6,860
5	Project of 4,500t/d clinker production line (phase three) and 9MW residual heat electricity generation unit of Xinning Conch	In partial operation	370,650	–
6	Project of 12,000t/d clinker production line of Tongling Conch	Under construction	360,680	–
7	Project of 4,000t/d new dry-process cement and clinker production line and 9MW pure low temperature residual heat electricity generation unit of Qiyang Conch	Under construction	350,220	–

(Unit: RMB'000)

Items	Description of investment projects	Progress of the project	Fund used during the Reporting Period	Gain from project during the Reporting Period
8	Project of 2X4,500t/d clinker production lines and 2.00 million tonnes cement grinding and 9MW residual heat electricity generation unit of Quanjiao Conch	In operation	312,180	54,750
9	Project of 4,000t/d clinker production line (phase two) and 9MW residual heat electricity generation unit of Jiande Conch	In operation	264,920	10,190
10	Project of 2X5,000t/d clinker production lines (phase one), cement grinding with an annual capacity of 4.40 million tonnes and 18MW residual heat electricity generation unit of Qingxin Cement	In operation	253,980	240,110
11	Project of the 4.40 million tonnes cement grinding and terminal of Huainan Conch	Under construction	239,760	–
12	Project of the 4.40 million tonnes cement grinding and terminal of Xiangshan Conch	In partial operation	202,800	5,120
13	Project of 4,500t/d clinker production line, 2.20 million tonnes cement grinding and 9MW residual heat electricity generation unit of Linxiang Conch	In operation	158,840	99,190
	Total		5,258,290	412,820

Note: 1. As the 4,500t/d clinker production line of Qianyang Conch commenced operation in November 2010, it was not operating at full capacity during the Reporting Period.

2. As the 4,500t/d clinker production line (phase three) of Xinning Conch commenced operation at the end of December 2010, it was under trial operation.

3. Investment in major project companies during the Reporting Period

(1) Suzhou Conch Cement Co., Ltd.

On 29 March 2010, the Company established Suzhou Conch Cement Co., Ltd., which is located in Suzhou City, Anhui Province with a registered capital of RMB200 million. 100% of its equity interest is held by the Company.

(2) Huangshan Conch Cement Co., Ltd.

On 19 May 2010, the Company established Huangshan Conch Cement Co., Ltd., which is located in Huangshan City, Anhui Province with a registered capital of RMB80 million. 100% of its equity interest is held by the Company.

(3) Huazhou Conch Cement Co., Ltd.

On 8 July 2010, the Company established Huazhou Conch Cement Co., Ltd., which is located in Huazhou City, Guangdong Province with a registered capital of RMB200 million. 100% of its equity interest is held by the Company.

(4) Guangyuan Conch Plastic Packaging Co., Ltd.

On 11 August 2010, the Company established Guangyuan Conch Plastic Packaging Co., Ltd., which is located in Guangyuan City, Sichuan Province with a registered capital of RMB20 million. 100% of its equity interest is held by the Company.

(5) Wuhan Conch Cement Co., Ltd.

On 15 September 2010, the Company established Wuhan Conch Cement Co., Ltd., which is located in Wuhan City, Hubei Province with a registered capital of RMB50 million. 100% of its equity interest is held by the Company.

(6) Jianghua Conch Cement Co., Ltd.

On 15 December 2010, the Company established Jianghua Conch Cement Co., Ltd., which is located in the Jianghua Yao Autonomous County, Yongzhou City, Hunan Province with a registered capital of RMB266 million. 100% of its equity interest is held by the Company.

(7) Jianghua Conch Plastic Packaging Co., Ltd.

On 23 December 2010, the Company established Jianghua Conch Plastic Packaging Co., Ltd., which is located in the Jianghua Yao Autonomous County, Yongzhou City, Hunan Province with a registered capital of RMB20 million. 100% of its equity interest is held by the Company.

4. Project companies acquired during the Reporting Period

On 6 July 2010, the Company acquired 100% of the equity interests in Longling Huihe, which is located in Longling County, Yunnan Province with a registered capital of RMB35 million. Currently, it has one 2,500t/d new dry-process cement and clinker production line, cement grinding with an annual capacity of 1.20 million and 4.5MW residual heat electricity generation unit under construction.

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

As at 31 December 2010, the Company had 84 majority-owned subsidiaries, 4 jointly-controlled entities and 3 invested companies, details of which were set out in notes 17, 18 and 19 to the financial statements prepared in accordance with IFRS in this report.

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

(Unit: RMB'000)

Items	Name	Registered capital	Total assets	Net assets	Revenue from principal activities	Profit from principal activities	Net profit
1	Prosperity Conch	580,000	2,951,960	1,975,829	2,064,544	718,110	568,247
2	Tongling Conch	742,000	3,875,294	2,399,456	2,563,818	672,671	419,676
3	Wuhu Conch	660,000	3,314,111	1,127,766	1,952,042	674,406	376,484

The principal business activities of the above three subsidiaries are production and sales of cement and commodity clinkers, which net profit recorded a substantial growth as compared to that in the same period of last year. Of which, net profit of Wuhu Conch recorded a year-on-year growth of 51%, mainly driven by the rise in cement price as the demand and supply relationship in the cement market improved.

(5) PROFIT APPROPRIATION PROPOSAL

Based on the financial data prepared in accordance with the PRC Accounting Standards and IFRS respectively, the Group's profit attributable to equity shareholders for year 2010 amounted to RMB6,171.40 million and RMB6,163.48 million respectively. The Board of the Company proposed the appropriation of the profit for the year ended 31 December 2010 as follows:

(1) Pursuant to the requirements of the Articles of the Company, it is proposed that based on the statutory accounts prepared in accordance with the PRC Accounting Standards, 10% of the net profit after tax shall be appropriated to the statutory surplus reserve of the Company, which amounted to RMB382.88 million.

(2) Based on the Company's total number of issued shares of 3,532,868,386 shares in its share capital as at 31 December 2010, the payment of a final dividend of RMB0.3 per share (tax inclusive) is proposed, totaling RMB1,059.86 million.

(3) The transfer from capital reserve-share premium to share capital by way of allotment and issue of 5 new shares for every 10 existing shares held by all shareholders is proposed. Upon capitalization of capital reserve, the capital reserve of the Company decreased from RMB13,989.11 million to RMB12,222.68 million.

Upon implementation of the above profit appropriation proposal, the total number of issued shares in the share capital of the Company will increase from 3,532,868,386 shares to 5,299,302,579 shares. Meanwhile, resolutions will be proposed at the general meeting to authorize the Board to handle the matters relating to the implementation of the profit appropriation proposal for year 2010, such matters include but not limited to the increase in registered capital, amendment to Articles and filing of changes in particulars for industry and commerce registration.

The above profit appropriation proposal is subject to consideration and approval by shareholders at the annual general meeting for year 2010.

As far as the Company is aware, as at the date of this report, there was no arrangement under which any shareholder has waived or agreed to waive any dividend proposed to be distributed for the year 2010.

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

Shareholders and investors should peruse the above contents carefully. If shareholders' name appears on the register of holder of H shares, please make enquiries with your nominees or trust organization for details of the relevant arrangements. The Company is not obliged to confirm the identities of Shareholders and will not be liable for such arrangement. The Company will strictly comply with the law, and withhold and pay the enterprise income tax on behalf of the relevant shareholders based on the register of holders of H Shares of the Company as of the record date for the 2010 annual general meeting (please refer to the notice of 2010 annual general meeting to be published by the Company for details). The Company will not accept any requests relating to any delay in confirming the identity of the shareholders or any errors in confirming the identity of the shareholders.

(6) TAXATION

Details of taxation are set out in notes 7 and 33 to the financial statements prepared in accordance with IFRS, and in note 3 "Taxation" and notes 16, 25, 37 and 46 under note 5 "Notes to Consolidated Financial Statement" to the financial statements prepared in accordance with the PRC Accounting Standards.

(7) MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2010, in the business operation of the Group, the aggregate sales amount of the Group to its five largest customers amounted to RMB1,573 million, representing 4.56% of the total sales amount of the Group; and the largest customer accounted for 1.64% of the total sales amount of the Group; the aggregate purchases amount from the five largest suppliers amounted to RMB4,966 million, representing 16.97% of the total purchases amount of the Group; and the largest supplier accounted for 5.39% of the total purchases amount of the Group.

Save for those disclosed above, none of the Directors, Supervisors nor their respective associates (as defined in the Listing Rules of the Stock Exchange) nor, to the knowledge of the Board, shareholders holding 5% or more of the issued shares of the Company has interests in any of the five largest customers or five largest suppliers of the Group for the year ended 31 December 2010. The major raw materials and energy used by the Company are denominated in RMB.

(8) LEASEHOLD LAND, PROPERTY, PLANT AND EQUIPMENT

Changes in leasehold land, property, plant and machinery of the Company for the year ended 31 December 2010 were set out in note 14 to the financial statements prepared in accordance with IFRS.

(9) TOTAL ASSETS

As at 31 December 2010, the Group's total assets as determined in accordance with IFRS amounted to approximately RMB60.266 billion, representing an increase of approximately RMB13.262 billion over that of last year.

(10) RESERVES

Changes in the reserves of the Company and the Group for the year ended 31 December 2010 were set out in the consolidated statement of changes in equity and note 37 to the financial statements prepared in accordance with IFRS.

(11) DEPOSITS, LOANS AND CAPITALIZED INTEREST

Details of the Group's loans as at 31 December 2010 were set out in notes 30, 31 and 32 to the financial statements prepared in accordance with IFRS. As at 31 December 2010, banks that the Group's deposits were placed with are reputable commercial banks. The Group has no entrusted deposits and fixed deposits which cannot be withdrawn upon expiry. During the year, interest capitalized in respect of construction-in-progress amounted to RMB153.47 million, details of which were set out in note 6 to the financial statements prepared in accordance with IFRS.

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

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

To mitigate foreign exchange risk, with respect to import, the Group (i) would make use of the foreign currency received from export of products and disposal of approved carbon emission to settle the purchase costs directly; and (ii) would make judgment and forecast on the movement trends of Euro exchange rate after taking into account the advice provided by certain professional financial institutions, and adopt different payment arrangements by entering into forward contracts or instant purchase of foreign currency to mitigate the risks arising from the movement of Euro exchange rate. As for export, in connection with the ongoing depreciation of US dollars against RMB, the Group closely monitored the demand and supply in the international market, and fixed the closing exchange rate for the majority of US dollars proceeds to be received within one year in advance to minimize exchange loss, whilst attempted to diversify the type of currency for international settlement to expand the settlement amount in RMB.

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

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

(14) EXECUTION OF REGULATION SYSTEM OF THE COMPANY GOVERNING THE USE OF INFORMATION BY INSIDERS

In order to further regulate the use of information of the Company by insiders and external users and safeguard the legal interests of the Company and investors, the Administrative Measures on the Use of Information by Insiders and External Users was formulated by the Company.

During the Reporting Period, the Company was in strict compliance with the requirements of the above system by keeping the price-sensitive information confidential and ensuring information disclosure in a fair manner. After self examination, the insiders did not make use of any confidential information to deal with shares of the Company before the disclosure of material price-sensitive information that would affect the share price of the Company. No inspection or punishment was imposed by the regulatory authorities in such regard.

(15) WORK PLANS AND IMPLEMENTATION PROPOSALS REGARDING THE ESTABLISHMENT OF A SOUND INTERNAL CONTROL SYSTEM BY THE COMPANY

On 26 April 2010, the Implementation Guidelines for Enterprise Internal Control (hereafter as the "Guidelines") was issued by the five ministries and committees including the Ministry of Finance and CSRC. As an A-Share and H-Share listed company, Conch Cement is required to implement the Guidelines with effect from 1 January 2011. In this regards, the Company has formulated the relevant work plans and implementation proposals to ensure smooth implementation of the Guidelines by the Company.

The purposes of the establishment of the internal control system of the Company are to optimize the management structure and terms of reference of the departments, regions and subsidiaries of the Company in accordance with the requirements of the regulatory system of internal control and modern enterprise management; to establish a scientifically regulated management system of internal control that complies with the external regulatory requirements and fulfils the needs of internal management; to nurture a group of professional and to set up an effective and long-term mechanism in order to consistently enhance the internal control capabilities and management level of the Company with a view to safeguarding the sustainable and healthy development of the Company.

Taking into consideration that the Company has a total of 84 subsidiaries covering 17 provinces and cities nationwide, coupled with the stringent requirements of the internal control system and complicated procedures involved in implementation, the Company has chosen the headquarters, three representative subsidiaries (including one clinker production plant, one cement grinding processing plant and one company which provides packaging bags and services to the Group) and one management region as trial entities for the implementation of the internal control system. The Company will then replicate the successful cases of trial entities in other subsidiaries to ensure the Company's comprehensive and effective implementation of the internal control system in 2011. Details of specific arrangements are as follows:

(1) Kick-off stage (May to September 2010): Establish a work team for internal control system of the Company with defined responsibilities; conduct research and analyses on relevant laws and regulations; appoint accountant for guidance; jointly set up a work team; and organize the kick-off training meeting with defined tasks.

(2) Risk assessment stage (September to December 2010): Carry out risk surveys and interviews on various departments under the trial entities; conduct risk analysis assessment and make corresponding recommendations in a comprehensive manner; design the risk management proposal of the Company on such basis; and prepare the risk management manual.

(3) Duties and responsibilities optimization stage (October 2010 to March 2011): Rationalize the existing management systems; conduct interviews and featured seminars; make recommendations on optimization of organizing and managing the duties and responsibilities of departments, regions and subsidiaries; carry out gradual implementation; and improve the staff manual.

(4) Internal control proposal design stage (October 2010 to March 2011): In line with the requirements of the Guidelines; combine the code of best practice in the industry; conduct interviews and walk through tests; prepare the working paper; rationalize the items of internal control subject to improvement; arrange for rectification of various units; and establish the internal control system based on the internal control manual.

(5) Internal control system implementation and promotion stage (March to June 2011): Publish and implement the internal control manual of trial entities; formulate detailed promotion implementation proposals on such basis; and implement in phases according to the operating features of the subsidiaries.

(6) Internal control assessment stage (April to December 2011): Prepare the internal control assessment survey under the requirements of the Assessment Guidelines for Enterprise Internal Control; formulate the work proposal of internal control assessment of the Company for year 2011; arrange for implementation and finalize the rectification of the relevant internal control items; prepare the assessment report of internal control; and develop the internal control assessment manual on such basis and form an effective and long-term mechanism.

Representation of the Board of the Company: The Board takes full responsibility towards the sound establishment and effective operation of the internal control system of the Company. The Company has all along been operating in accordance with the laws and regulations and, through the establishment of an effective internal control system, it is assured that the assets of the Company are safeguarded, the financial reports and information disclosed therein are true, accurate and complete, a sound corporate image is thereby established.

(1) REPORT ON THE WORKS OF THE SUPERVISORY COMMITTEE IN 2010

During the Reporting Period, resolutions were passed at a total of three physical Supervisory Committee meetings and two other meetings by means of telecommunication. Details of these meetings and resolutions passed therein were set out as follows:

1. On 29 March 2010, the sixth meeting of the fourth session of the Supervisory Committee of the Company was held in the conference room of the Company, at which the report of the Supervisory Committee for year 2009, the financial statements prepared in accordance with IFRS and PRC Accounting Standards respectively for year 2009, the annual report for year 2009 and its summary, the results announcement and the connected transactions occurred in 2009 were considered and approved.

2. On 27 April 2010, a meeting of the Supervisory Committee of the Company was held by means of telecommunication and the first quarterly report for year 2010 of the Company was considered and approved.

3. On 3 June 2010, the first meeting of the fifth session of the Supervisory Committee was held in the conference room of the Company and Mr. Wang Jun was unanimously elected as the chairman of the fifth session of the Supervisory Committee.

4. On 16 August 2010, the second meeting of the fifth session of the Supervisory Committee of the Company was held in the conference room of the Company, at which the unaudited financial statements of the Company for the six months ended 30 June 2010 prepared in accordance with PRC Accounting Standards and IFRS respectively, the interim report for year 2010 and its summary and the results announcement were considered and approved.

5. On 25 October 2010, a meeting of the Supervisory Committee of the Company was held by means of telecommunication and the third quarterly report for year 2010 of the Company was considered and approved.

(2) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON CERTAIN ISSUES OF THE COMPANY IN 2010

1. Operations compliance

In 2010, the Supervisory Committee attended the Board meetings and general meetings. In accordance with the relevant laws and regulations, it supervised the proceedings of general meetings and Board meetings, resolutions passed therein, the process of decision making, the implementation by the Board of resolutions approved by shareholders at general meetings and the performance of the duties by Directors and managers of the Company. The Supervisory Committee considers that the Board has conducted and regulated operation in accordance with the laws and regulations of the Company Law and the Securities Law of the PRC, the Listing Rules of SSE and the Articles, rigorously implemented the resolutions of general meetings and made operating decisions scientifically and reasonably. The Board has also established a sound system for internal management and control. None of the Directors, managers and other members of senior management committed any act which would violate any laws, regulations or the Articles or prejudicial to the interests of the Company in the course of performing their duties.

2. Annual financial report

The financial statements of the Company for year 2010 gave an objective, true and fair view on the financial position and operating results of the Company.

3. Appropriation of part of idle fund-raising proceeds to supplement working capital

During the Reporting Period, the Company applied part of the idle proceeds from the public issue of A Shares in 2008 to supplement working capital. Such appropriation did not affect the planned project development that are financed by the proceeds, nor alter the use of the proceeds. Meanwhile, such appropriation was in the interests of shareholders as a whole by enhancing the utilization of proceeds, minimizing the finance costs and lowering the operating costs. The Company has performed the review and approval procedures of the Board, and complied with the relevant requirements regarding the management of the use of fund-raising proceeds.

4. Insider dealings

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

5. **Connected transactions**

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

6. **Assessment report of internal control**

The Supervisory Committee conscientiously reviewed the assessment report of internal control of the Company for year 2010 and considered that the Company has established a relatively comprehensive internal control system that is in compliance with the laws and regulations of the PRC and that can cope with the actual needs of the Company in its production, operation and management, and such system has been effectively implemented. The establishment of such system allows better risk avoidance and risk control in various segments in the operation and management of the Company. The self-assessment report of internal control of the Company truly and objectively reflected the development and operation of the internal control system of the Company.

(1) MATERIAL LITIGATION AND ARBITRATION

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

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

As approved and authorized by the Board, the Company utilized some of its funds for making strategic investment in a few PRC listed companies in the cement industry with competitive strengths and growth potential. During the Reporting Period, the Company purchased 34,969,375 additional shares in Jidong Cement, after taking into account the changes in the conditions of the securities market and the Company's judgment on the long-term investment value of the relevant stocks.

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

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

Stock code	Short name	Initial acquisition cost (RMB)	Percentage of shareholding in such company (%)	Carrying amount as at the end of the Reporting Period (RMB)	Profit/loss recognized during the Reporting Period (RMB)	Change in equity owners' interest during the Reporting Period (RMB)
600318	Chaodong Cement	98,019,695	16.28	459,631,119	–	156,743,270
000401	Jidong Cement	1,563,997,644	11.28	3,232,808,225	–	739,519,202
000885	Tongli Cement	44,349,667	2.12	62,235,174	–	(13,355,188)
Total		**1,706,367,006**	**-**	**3,754,674,518**	**-**	**882,907,284**

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

(3) ACQUISITIONS OF MATERIAL ASSET

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

(4) MATERIAL CONNECTED TRANSACTIONS

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

(1) *Use of trademarks*

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

The Group paid the relevant fee to Conch Holdings for the use of the permitted trademarks during the Reporting Period. Pursuant to the Listing Rules of the Stock Exchange and the Listing Rules of SSE, the connected transaction was not subject to the independent shareholders' approval requirements.

(2) *Transactions with Longshan Cement – Procurement of clinker*

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

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

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

During the Reporting Period, the purchase price for clinker procured from Longshan Cement by Jiangmen Conch was paid from its working capital on a monthly basis. During the Reporting Period, Jiangmen Conch procured clinker from Longshan Cement for an amount of RMB85.06 million, which did not exceed the annual procurement cap of RMB100.00 million as prescribed under the Clinker Procurement Agreement.

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

(3) *Transactions with Longshan Cement – Mutual procurement of spare parts and production ancillary materials*

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

The prices for mutual procurement of spare parts and production ancillary materials between Prosperity Conch and Longshan Cement were the respective purchase prices from their suppliers.

During the Reporting Period, the purchase prices for spare parts and production ancillary materials mutually procured between Prosperity Conch and Longshan Cement were settled by their respective working capital on a monthly basis. During the Reporting Period, the procurement amount for spare parts and production ancillary materials by Prosperity Conch from Longshan Cement was RMB6.62 million; and the procurement amount for spare parts and production ancillary materials by Longshan Cement from Prosperity Conch was RMB8.15 million, neither of which exceeded the annual transaction cap of RMB21.50 million as prescribed under the Spare Parts and Production Ancillary Materials Procurement Agreement.

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

2. 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 it was agreed that Conch Kawasaki Engineering shall 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 SSE, Conch Kawasaki Engineering is a connected person of the Company; as such, the above transaction constituted a connected transaction. Under the Listing Rules of the Stock Exchange, the above transaction did not constitute a connected transaction.

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

During the Reporting Period, for the sole purpose of performing the above supply and design of equipment contract, the relevant equipment price and design fee paid to Conch Kawasaki Engineering by the Group amounted to RMB214.56 million. With respect to the performance of related contracts entered into in previous years, the aggregate amount of the relevant equipment price and design fee paid to Conch Kawasaki Engineering by the Group during the Reporting Period was RMB446.52 million.

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

3. Purchase of milling equipment

On 25 June 2010, as approved by the Board of the Company, the Company and Conch Kawasaki Energy Conservation entered into a milling equipment supply contract, pursuant to which the Company agreed to purchase from Conch Kawasaki Energy Conservation 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 Energy Conservation is a sino-foreign equity joint venture enterprise established in the PRC. As Mr. Ji Qinying, an executive Director and general manager of the Company serves as the chairman of Conch Kawasaki Energy Conservation, and Mr. He Chengfa, a deputy general manager of the Company serves as a director of Conch Kawasaki Energy Conservation, under the Listing Rules of SSE, Conch Kawasaki Energy Conservation is a connected person of the Company; as such, the above transaction constituted a connected transaction. Under the Listing Rules of the Stock Exchange, the above transaction did not constitute a connected transaction.

The contract price under the said contract was determined by the parties having regard to the costs of the equipment, the prevailing market prices of such equipment, with reference to the price charged by Conch Kawasaki Energy Conservation to other customers, and such price shall not be higher than that offered by Conch Kawasaki Energy Conservation to independent customers.

During the Reporting Period, for the sole purpose of performing the above milling equipment supply contract, the Group paid the relevant equipment purchase price of RMB130.59 million to Conch Kawasaki Energy Conservation. In connection with the performance of related contracts entered into in previous years, the total equipment price paid to Conch Kawasaki Energy Conservation by the Group during the Reporting Period amounted to RMB323.09 million.

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

4. 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 services contract, pursuant to which it was agreed that Conch Design shall provide services including design and technological modification of clinker production lines and grinding mill systems for certain subsidiaries of the Company. The contract price was RMB78.13 million.

As Conch Design is a wholly-owned subsidiary the Company's controlling shareholder, Conch Holdings, under 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. Under Listing Rules of 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 as well as the project scale, investment amount, scope of design, standard of technology and the prevailing market prices. The design fee shall be settled according to project progress.

During the Reporting Period, for the sole purpose of performing of the above design and technical services contract, the Group paid the relevant design fee of RMB12.21 million to Conch Design. Taking into account the aforesaid contract and the related contracts entered into in previous years, the total design fee paid by the Group to Conch Design during the Reporting Period amounted to RMB36.02 million.

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

5. Acquisition of the minority interests in two subsidiaries held by controlling shareholder, Conch Holdings

As approved by the Board of the Company (where the interested Directors abstained from voting) on 26 October 2010, the Company and Conch Holdings, its controlling shareholder entered into the Sale and Purchase Agreement of 25% Equity Interest of Anhui Conch and the Sale and Purchase Agreement of 5% Equity Interest of Conch Construction, pursuant to which it was agreed that the Company shall acquire 25% equity interests in Anhui Conch and 5% equity interests in Conch Construction held by Conch Holdings.

As Conch Holdings is the controlling shareholder of the Company, under the Listing Rules of SSE and the Listing Rules of the Stock Exchange, it is a connected person of the Company; as such, the above transaction constituted a connected transaction.

The consideration for acquiring the 25% equity interest of Anhui Conch was determined with reference to the net asset value of Anhui Conch as at 30 June 2010, being the record date, as appraised by Beijing China Faith Appraisers Co., Ltd. in proportion to the percentage of equity interest being transferred, which was RMB84,471,200. The consideration for acquiring the 5% equity interest of Conch Construction was determined with reference to the net asset value of Conch Construction as at 30 June 2010, being the record date, as appraised by Beijing China Faith Appraisers Co., Ltd. in proportion to the percentage of equity interest being transferred, which was RMB2,004,600. The aggregate consideration for the said transactions amounted to RMB86,475,800, which was settled in full by the Company with its internal funds on 2 November 2010.

Please refer to the Company's announcements dated 26 October 2010 (published on the website of the Stock Exchange and the website of the Company) and dated 27 October 2010 (published on the SSE website and Shanghai Securities Journal) for details. Such connected transaction was not subject to the approval of independent shareholders.

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

During the Reporting Period, in order to support the operation and growth of the Company, optimize the financial structure and reduce the finance costs of the Company, after negotiation, Conch Holdings agreed to lend part of the proceeds raised from its issuance of medium-term notes to the Group for developing the energy conservation technology upgrade project (including residual heat electricity generation and terminal project), improving the financing structure and supplementing the working capital. As approved by the Board of the Company on 1 February 2010, it was agreed that the Company shall borrow from Conch Holdings in the sum of no more than RMB4.8 billion at an interest rate of 4.83% per annum for a term commencing from the date of transfer of fund from the bank account of Conch Holdings to 24 January 2013.

Please refer to the Company's announcements dated 1 February 2010 (published on the website of the Stock Exchange and the website of the Company) and the dated 2 February 2010 (published on the website of the SSE and Shanghai Securities News) for details. Such connected transaction was not subject to the approval of independent shareholders.

Confirmation by independent non-executive Directors on connected transactions

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

In respect of the continuing connected transactions disclosed (the "Transactions"), KPMG Certified Public Accountants has executed the necessary procedures and issued a letter to the Board, stating that (1): they were not aware that the Transactions were not approved by the Board; (2) they were not aware of any matters which would make them believe that the Transactions were not in line with the pricing policies of the Group in any material aspects in connection with the Transactions relating to the provision of commodities and services by the Group; (3) they were not aware of any matters which would make them believe that the Transactions did not comply with the terms of the agreements governing the Transactions in any material aspects; (4) they were not aware of any matters which would make them believe that the annual accumulated amount of each of the Transactions, in aggregate, would exceed the annual cap of aggregate value of such transaction the Company had disclosed in the previous announcement.

(5) MATERIAL CONTRACTS

1. The Company was not subject to any material entrustment, sub-contracting or leasing arrangements involving assets of other companies, nor were any other companies entitled to any entrustment, sub-contracting or leasing arrangement involving assets of the Company occurred during the Reporting Period or during the previous periods but subsisting in the Reporting Period.

2. **Guarantees**

During the Reporting Period, the external guarantees provided by the Company related to its own borrowings and borrowings of its subsidiaries, and all the guarantees were approved either by the Board of the Company or by shareholders in general meeting.

During the Reporting Period, the guarantees provided by the Company for its majority-owned subsidiaries amounted to RMB2,075 million, all being guarantees for collateral liabilities. As at 31 December 2010, the balance of guarantees provided by the Company for its majority-owned subsidiaries amounted to RMB5,040 million, representing 15.95% of the net assets of the Company.

During the Reporting Period, the Company did not provide any guarantee for its controlling shareholder, de facto controller, other connected persons, any other entities which are not legal persons nor individuals. The aggregate amount of guarantees provided by the Company did not exceed 50% of the Company's latest audited net assets. The Company did not provide guarantees to its majority-owned subsidiaries whose gearing ratio was over 70%.

As at 31 December 2010, Baimashan Cement Plant and Ningguo Cement Plant, both being branch companies of the Company, pledged their assets with a book value of approximately RMB670 million to International Finance Corporation as security for their long-term loan in the sum of RMB650 million.

3. **Major Entrustment Investment Arrangements**

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

4. **Commitments**

In 2007, the Company issued 22,755,147 A Shares and 287,999,046 A Shares respectively to Conch Holdings and Conch Venture as consideration for the purchase of certain assets from Conch Holdings and Conch Venture, and Conch Holdings and Conch Venture made certain undertakings in respect of lock-up period and shareholders' rights arrangements.

As certain indebtedness owing from Conch Venture to Ping An Trust were set-off by a transfer of 203,828,265 A Shares ("Relevant Shares") out of the 287,999,046 shares held by Conch Venture, the Relevant Shares have become held by Ping An Trust in accordance with an arbitral award, and such transfer was completed on 28 July 2009. The entrusting party of Ping An Trust – Conch Equity Interest (namely, the staff association committee of Anhui Conch Holdings Co., Ltd.) has undertaken to continue to perform the relevant undertakings previously made by Conch Venture in respect of the Relevant Shares. The details of the undertakings are as follows:

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

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

During the Reporting Period, Conch Holdings, Conch Venture and Ping An Trust were in strict compliance with the above undertakings.

(6) FUND APPROPRIATION BY CONTROLLING SHAREHOLDER AND ITS SUBSIDIARIES

The Company has formulated the "Measures to prevent the Company's funds from being misappropriated by its controlling shareholder and related parties" for the purpose of setting up an effective and long-term mechanism to prevent the Company's funds from being misappropriated by its controlling shareholder and related parties, and to protect the legitimate interests of the Company, its shareholders and other stakeholders.

During the Reporting Period, there was no appropriation of the Company's funds for non-operating purpose by the controlling shareholder and its subsidiaries (other than the Company).

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

During the Reporting Period, none of the Company, its Directors, Supervisors, senior management, controlling shareholder and de facto controller were subject to any penalties.

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

We have audited the consolidated financial statements of Anhui Conch Cement Company Limited (the "Company") and its subsidiaries ("the Group") set out on pages 91 to 224, which comprise the consolidated and company balance sheets as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants

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

28 March 2011

Consolidated income statement

for the year ended 31 December 2010
(Expressed in Renminbi Yuan)

	Note	2010 RMB'000	2009 RMB'000
Turnover	4, 13	**34,508,282**	24,998,007
Cost of sales and services rendered		**(23,566,109)**	(17,971,239)
Gross profit		**10,942,173**	7,026,768
Other revenue	5	**506,893**	354,111
Other net loss	5	**(5,381)**	(22,666)
Selling and marketing costs		**(1,546,451)**	(1,419,569)
Administrative expenses		**(1,294,870)**	(977,717)
Profit from operations		**8,602,364**	4,960,927
Finance costs	6(a)	**(514,157)**	(451,145)
Share of profits of associates		**226**	83
Share of profits/(losses) of jointly controlled entities		**27,027**	(1,369)
Profit before taxation	6	**8,115,460**	4,508,496
Income tax	7(a)	**(1,770,091)**	(882,012)
Profit for the year		**6,345,369**	3,626,484
Attributable to:			
Equity shareholders of the Company	10	**6,163,481**	3,505,936
Non-controlling interests		**181,888**	120,548
Profit for the year		**6,345,369**	3,626,484
Earnings per share	12		
– Basic (restated)		**RMB1.74**	RMB0.99
– Diluted (restated)		**RMB1.74**	RMB0.99

The notes on pages 100 to 224 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 37(b).

Consolidated statement of comprehensive income

for the year ended 31 December 2010
(Expressed in Renminbi Yuan)

	Note	**2010** **RMB'000**	2009 RMB'000
Profit for the year		**6,345,369**	3,626,484
Other comprehensive income for the year (after tax and reclassification adjustments)	11		
Available-for-sale equity securities: net movement in the fair value reserve		**662,180**	889,861
Total comprehensive income for the year		**7,007,549**	4,516,345
Attributable to:			
Equity shareholders of the Company		**6,825,661**	4,395,797
Non-controlling interests		**181,888**	120,548
Total comprehensive income for the year		**7,007,549**	4,516,345

The notes on pages 100 to 224 form part of these financial statements.

Consolidated balance sheet

at 31 December 2010
(Expressed in Renminbi Yuan)

	Note	2010 RMB'000	2010 RMB'000	2009 RMB'000	2009 RMB'000
Non-current assets					
Property, plant and equipment	14(a)		**39,118,501**		31,526,436
Lease prepayments	14(a)		**1,879,454**		1,458,659
			40,997,955		32,985,095
Intangible assets	15(a)		**781,755**		476,416
Goodwill	16		**16,120**		16,120
Interest in associates	18		**159,590**		159,364
Interest in jointly controlled entities	19		**863,602**		321,996
Loans and receivables	20		**110,216**		131,862
Available-for-sale equity securities	21		**3,754,675**		2,343,992
Deferred tax assets	33(b)		**80,943**		60,250
			46,764,856		36,495,095
Current assets					
Inventories	22	**2,493,128**		2,172,191	
Trade receivables	23	**6,403,560**		3,030,137	
Prepayments and other receivables	24	**1,526,682**		1,183,945	
Amounts due from related parties	26	**335,435**		479,907	
Tax recoverable	33(a)	**6,907**		15,637	
Restricted cash deposits		**46,726**		54,163	
Cash and cash equivalents	27	**2,689,148**		3,572,876	
		13,501,586		10,508,856	
Current liabilities					
Trade payables	28	**4,001,783**		4,274,803	
Other payables and accruals	29	**4,615,129**		2,969,563	
Bank loans and other borrowings	31	**3,171,523**		4,183,280	
Amounts due to related parties	26	**366,946**		287,003	
Current portion of long-term payables	34	**12,702**		15,822	
Obligations under finance leases	35	**66,742**		–	
Current taxation	33(a)	**842,200**		342,838	
		13,077,025		12,073,309	
Net current assets/(liabilities)			**424,561**		(1,564,453)
Total assets less current liabilities			**47,189,417**		34,930,642

Consolidated balance sheet (continued)

at 31 December 2010
(Expressed in Renminbi Yuan)

	Note	2010 RMB'000	2010 RMB'000	2009 RMB'000	2009 RMB'000
Non-current liabilities					
Bank loans and other borrowings	30(a)	**10,971,386**		5,393,622	
Long-term payables	34	**65,398**		72,375	
Obligations under finance leases	35	**110,934**		–	
Deferred income	36	**410,109**		338,187	
Deferred tax liabilities	33(b)	**523,122**		301,723	
			12,080,949		6,105,907
NET ASSETS			**35,108,468**		28,824,735
CAPITAL AND RESERVES					
Share capital	37(c)		**3,532,868**		1,766,434
Reserves			**30,955,375**		26,520,906
Total equity attributable to equity shareholders of the Company			**34,488,243**		28,287,340
Non-controlling interests			**620,225**		537,395
TOTAL EQUITY			**35,108,468**		28,824,735

Approved and authorised for issue by the board of directors on 28 March 2011.

Guo Wen San
Director

Guo Jing Bin
Director

The notes on pages 100 to 224 form part of these financial statements.

Balance sheet

at 31 December 2010
(Expressed in Renminbi Yuan)

	Note	2010 RMB'000	2010 RMB'000	2009 RMB'000	2009 RMB'000
Non-current assets					
Property, plant and equipment	14(b)		**969,187**		972,016
Lease prepayments	14(b)		**50,830**		52,024
			1,020,017		1,024,040
Intangible assets	15(b)		**46,096**		18,414
Investments in subsidiaries	17		**27,987,838**		26,441,436
Interest in associates	18		**157,429**		157,429
Interest in jointly controlled entities	19		**809,000**		314,000
Available-for-sale equity securities	21		**3,754,675**		2,343,992
			33,775,055		30,299,311
Current assets					
Inventories	22	**185,525**		222,322	
Trade receivables	23	**1,283,076**		823,502	
Prepayments and other receivables	24	**113,104**		22,972	
Amounts due from subsidiaries	25	**7,899,388**		7,263,331	
Amounts due from related parties	26	**13,003**		6,668	
Restricted cash deposits		**14,761**		26,621	
Cash and cash equivalents	27	**896,376**		2,237,133	
		10,405,233		10,602,549	
Current liabilities					
Trade payables	28	**1,128,827**		2,038,444	
Other payables and accruals	29	**266,896**		227,011	
Bank loans and other borrowings	31	**350,000**		960,000	
Amounts due to subsidiaries	25	**9,524,244**		8,885,953	
Amounts due to related parties	26	**105,161**		99,454	
Current taxation	33(a)	**54,384**		31,334	
		11,429,512		12,242,196	
Net current liabilities			**(1,024,279)**		(1,639,647)
Total assets less current liabilities			**32,750,776**		28,659,664

Balance sheet (continued)

at 31 December 2010
(Expressed in Renminbi Yuan)

	Note	2010 RMB'000	2010 RMB'000	2009 RMB'000	2009 RMB'000
Non-current liabilities					
Bank loans and other borrowings	30(a)	**840,000**		800,000	
Deferred income	36	**34,534**		37,669	
Deferred tax liabilities	33(b)	**503,641**		282,239	
			1,378,175		1,119,908
NET ASSETS			**31,372,601**		27,539,756
CAPITAL AND RESERVES	37(a)				
Share capital			**3,532,868**		1,766,434
Reserves			**27,839,733**		25,773,322
TOTAL EQUITY			**31,372,601**		27,539,756

Approved and authorised for issue by the board of directors on 28 March 2011.

Guo Wen San
Directors

Guo Jing Bin
Directors

The notes on pages 100 to 224 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2010
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2009		1,766,434	13,776,659	38,727	471,506	(12,220)	8,380,367	24,421,473	465,847	24,887,320
Changes in equity for 2009:										
Profit for the year		–	–	–	–	–	3,505,936	3,505,936	120,548	3,626,484
Other comprehensive income	11	–	–	–	–	889,861	–	889,861	–	889,861
Total comprehensive income		–	–	–	–	889,861	3,505,936	4,395,797	120,548	4,516,345
Contributions by non-controlling shareholders		–	–	–	–	–	–	–	1,000	1,000
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		–	–	–	–	–	–	–	(50,000)	(50,000)
Dividends approved in respect of the previous year	37(b)	–	–	–	–	–	(529,930)	(529,930)	–	(529,930)
Additional appropriations to reserves due to partial disposal of a subsidiary		–	–	–	360	–	(360)	–	–	–
Appropriations to reserves for current year profit	37(d)(iii)	–	–	–	287,140	–	(287,140)	–	–	–
Balance at 31 December 2009 and 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
Changes in equity for 2010:										
Profit for the year		–	–	–	–	–	6,163,481	6,163,481	181,888	6,345,369
Other comprehensive income	11	–	–	–	–	662,180	–	662,180	–	662,180
Total comprehensive income		–	–	–	–	662,180	6,163,481	6,825,661	181,888	7,007,549
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		–	–	–	–	–	–	–	(19,090)	(19,090)
Dividends approved in respect of the previous year	37(b)	–	–	–	–	–	(618,252)	(618,252)	–	(618,252)
Capitalisation issue	37(c)(ii)	1,766,434	(1,766,434)	–	–	–	–	–	–	–
Acquisition of non-controlling interests	37(d)(ii)	–	–	(6,506)	–	–	–	(6,506)	(79,968)	(86,474)
Appropriations to reserves for current year profit	37(d)(iii)	–	–	–	382,878	–	(382,878)	–	–	–
Balance at 31 December 2010		3,532,868	12,010,225	32,221	1,141,884	1,539,821	16,231,224	34,488,243	620,225	35,108,468

The notes on pages 100 to 224 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2010
(Expressed in Renminbi Yuan)

	Note	2010 RMB'000	2010 RMB'000	2009 RMB'000	2009 RMB'000
Operating activities					
Cash generated from operations	27(b)	**7,292,327**		7,852,398	
– Income tax paid		**(1,282,020)**		(823,048)	
– Interest paid		**(657,891)**		(513,873)	
Net cash generated from operating activities			**5,352,416**		6,515,477
Investing activities					
Payment for the purchase of property, plant and equipment		**(8,390,418)**		(7,628,469)	
Proceeds from disposal of property, plant and equipment		**10,205**		17,490	
Lease prepayments		**(555,589)**		(182,948)	
Payment for the purchase of intangible assets		**(354,302)**		(190,825)	
Payment for purchase of trading securities		**–**		(3,155)	
Proceeds from sale of trading securities		**–**		3,501	
Payment for purchase of available-for-sale equity securities		**(527,776)**		(27,501)	
Proceeds from sale of available-for-sale equity securities		**–**		73,709	
New advances to government		**(77,130)**		(35,128)	
Repayment of advances from government		**86,204**		64,306	
Interest received		**44,901**		97,898	
Payment for the acquisition of interest in jointly controlled entities		**(495,000)**		(80,000)	
Partial disposal of a subsidiary, net of cash disposed of		**–**		70,013	
Payment for acquisition of non-controlling interests	37(d)(ii)	**(86,474)**		–	
Dividends received from a jointly controlled entity		**4,173**		–	
Dividends received from an associate		**–**		4,000	
Dividends received from available-for-sale equity securities		**–**		9,966	
Increase in restricted cash deposits		**–**		(6,010)	
Net cash used in investing activities			**(10,341,206)**		(7,813,153)

Consolidated cash flow statement (continued)

for the year ended 31 December 2010
(Expressed in Renminbi Yuan)

	Note	2010 RMB'000	2010 RMB'000	2009 RMB'000	2009 RMB'000
Financing activities					
Capital contributions paid by a non-controlling shareholder		**–**		1,000	
Proceeds from new bank loans and other borrowings		**9,425,395**		3,928,626	
Repayment of bank loans and other borrowings		**(4,859,388)**		(5,180,355)	
Dividends paid to non-controlling shareholders of non-wholly owned subsidiaries		**(19,090)**		(100,000)	
Dividends paid to equity shareholders of the Company	37(b)(ii)	**(618,252)**		(529,930)	
Decrease in restricted cash deposits		**7,437**		–	
Proceeds from sale and leaseback of property, plant and equipment	14(a)(iv)	**176,000**		–	
Payment of rentals for sale and leaseback of property, plant and equipment		**(7,040)**		–	
Net cash generated from/(used in) financing activities			**4,105,062**		(1,880,659)
Net decrease in cash and cash equivalents			**(883,728)**		(3,178,335)
Cash and cash equivalents at 1 January	27(a)		**3,572,876**		6,751,211
Cash and cash equivalents at 31 December	27(a)		**2,689,148**		3,572,876

The notes on pages 100 to 224 form part of these financial statements.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1 GENERAL INFORMATION

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2011.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries and the Group's interest in associates and jointly controlled entities.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 44.

(c) Subsidiaries and non-controlling interests

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and non-controlling interests (continued)

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

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Acquisition of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

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

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 2(d)).

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

(d) Associates and jointly controlled entities

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

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

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates and jointly controlled entities (continued)

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

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

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(d)).

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(m)).

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

(f) Other investments in debt and equity securities

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

(g) Derivative financial instruments

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(i) Property, plant and equipment

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

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

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

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

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

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Construction in progress

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

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

(k) Intangible assets (other than goodwill)

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

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

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

Both the period and method of amortisation are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(m). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets

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

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

– significant financial difficulty of the debtor;

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

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

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

(ii) Impairment of other assets

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

– property, plant and equipment;

– construction-in-progress;

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

– intangible assets; and

– goodwill.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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

(iii) Interim financial reporting and impairment

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

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

(n) Inventories

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Inventories (continued)

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

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

(o) Trade and other receivables

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

(p) Interest-bearing borrowings

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

(q) Trade and other payables

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Cash and cash equivalents

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

(s) Employee benefits

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

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

(t) Income tax

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

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

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

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

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

  – the same taxable entity; or

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

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Financial guarantees issued (continued)

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

(ii) Contingent liabilities assumed in business combinations

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

(iii) Other provisions and contingent liabilities

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue recognition

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

(i) Sale of goods

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

(ii) Dividends

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

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

(iii) Interest income

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

(iv) Government grants

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Repairs and maintenance

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

(x) Translation of foreign currencies

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

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

(y) Borrowing costs

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

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

(z) Non-current assets held for sale

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Related parties

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

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

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

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

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

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

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

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

(bb) Segment reporting

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

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

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(Expressed in Renminbi Yuan unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES

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

- IFRS 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
- 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.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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.

  – Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were 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.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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.

- 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.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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.

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.

4 TURNOVER

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

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

	2010 **RMB'000**	2009 RMB'000
Sales of clinkers and cement products	**34,036,282**	24,683,638
Sales of materials and other products	**214,925**	201,715
Service income	**257,075**	112,654
	34,508,282	24,998,007

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

5 OTHER REVENUE AND NET LOSS

	2010 RMB'000	2009 RMB'000
Other revenue		
Interest income	**44,901**	97,898
Dividend income from available-for-sale equity securities	**–**	9,966
Subsidy income	**461,992**	246,247
	506,893	354,111

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

	Note	2010 RMB'000	2009 RMB'000
Other net loss			
Net loss on disposal of fixed assets		**(10,351)**	(34,043)
Net realised gain on trading securities		**–**	346
Reclassification from equity on disposal of available-for-sale equity securities	11(b)	**–**	6,035
Net loss on disposal of other investments in equity securities		**–**	(10)
Net gain on partial disposal of a subsidiary		**–**	889
Net exchange loss		**(7,591)**	(67)
Change in fair value of derivatives		**1,753**	–
Others		**10,808**	4,184
		(5,381)	(22,666)

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

6 PROFIT BEFORE TAXATION

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

	2010 **RMB'000**	2009 RMB'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	**579,274**	430,471
Interest on bank advances and other borrowings wholly repayable after five years	**58,720**	68,129
Finance charges on obligations under finance lease	**656**	–
Interest on discount of notes receivable	**28,977**	7,934
Total interest expense on financial liabilities not at fair value through profit or loss	**667,627**	506,534
Less: Interest expense capitalised into construction-in-progress*	**(153,470)**	(55,389)
	514,157	451,145

* The borrowing costs have been capitalised at rates of 4.69%~6.80% (2009: 4.69%~6.80%) per annum.

	2010 **RMB'000**	2009 RMB'000
(b) Staff costs		
Contributions to defined contribution retirement plans	**142,580**	128,526
Salaries, wages and other benefits	**1,334,277**	945,078
	1,476,857	1,073,604

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

6 PROFIT BEFORE TAXATION (CONTINUED)

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

	Note	**2010** **RMB'000**	2009 RMB'000
(c) Other items			
Recognition of deferred income	36	**(33,700)**	(28,457)
Amortisation			
– interest in leasehold land held for own use under operating leases	14(a)	**43,144**	27,919
– intangible assets	15(a)	**30,045**	15,375
Depreciation	14(a)	**1,942,300**	1,604,890
Impairment losses/ (reversal of impairment losses)			
– trade receivables	23(b)	**(3,411)**	(378)
– prepayments and other receivables		**238**	2,608
– fixed assets	14(a)	**40,635**	–
Auditors' remuneration			
– audit services		**4,240**	4,220
– other services		**10**	30

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2010 **RMB'000**	2009 RMB'000
Current tax-PRC Corporate Income Tax		
Provision for the year	**1,777,537**	869,422
Under-provision in respect of prior years	**12,575**	14,601
	1,790,112	884,023
Deferred tax		
Origination and reversal of temporary differences	**(20,021)**	(2,011)
	1,770,091	882,012

No provision for Hong Kong Profits Tax is made for 2009 and 2010 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

(Expressed in Renminbi Yuan unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

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 regulations of the PRC except for:

Shanghai Conch Cement Sales Co., Ltd. 上海海螺水泥銷售有限公司 (Note i)	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%
Guangyuan Conch Cement Co., Ltd. 廣元海螺水泥有限責任公司 (Note iii)	15%
Pingliang Conch Cement Co., Ltd 平涼海螺水泥有限責任公司 (Note iv)	15%
Prosperity Conch Cement Co., Ltd. 英德海螺水泥有限責任公司 (Note v)	12.5%
Xinye Kuiyang Conch Cement Co., Ltd. 興業葵陽海螺水泥有限責任公司 (Note vi)	0%
Beiliu Conch Cement Co., Ltd. 北流海螺水泥有限責任公司 (Note vii)	0%

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

Notes:

(i) Starting from 2008, Shanghai Conch Cement Sales Co., Ltd., Shanghai Mingzhu Conch Cement Co., Ltd. and Shanghai Conch Construction Material International Trading Co., Ltd., have five years to transit to the 25% statutory 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% (2009: 20%).

(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% (2009: 15%).

(iii) In 2010, Guangyuan Conch Cement Co., Ltd. was recognised by the local tax authorities as domestic enterprise located in mid-west China with over 70% revenue from operation in encouraged industries as defined by relevant authorities. According to circular Cai Shui (2001) 202, Guangyuan Conch Cement Co., Ltd. is entitled to a reduced Corporate Income Tax rate of 15% in 2010. The applicable Corporate Income Tax rate in 2010 is therefore 15% (2009: 25%).

(iv) In 2010, Pingliang Conch Cement Co., Ltd. was recognised by the local tax authorities as domestic enterprise located in mid-west China with over 70% revenue from operation in encouraged industries as defined by relevant authorities. According to circular Cai Shui (2001) 202, Pingliang Conch Cement Co., Ltd. is entitled to a reduced Corporate Income Tax rate of 15% in 2010. The applicable Corporate Income Tax rate in 2010 is therefore 15% (2009: 25%).

(v) Prosperity Conch Cement Co., Ltd. is a sino-foreign enterprise. In 2006, Prosperity Conch Cement Co., Ltd. was recognised by the local tax authorities as a productive sino-foreign enterprise, and thus is entitled to an Corporate Income Tax exemption for the first two profitable years and a 50% reduction of Corporate Income Tax for subsequent three years. 2010 is the fifth profitable year of Prosperity Conch Cement Co., Ltd. The applicable Corporate Income Tax rate in 2010 is therefore 12.5% (2009: 12.5%).

(vi) Xinye Kuiyang Conch Cement Co., Ltd. was recognised by the local tax authorities as a company located in mid-west China, and thus is entitled to an Corporate Income Tax exemption for the five years ending 31 December 2010. The applicable Corporate Income Tax rate in 2010 is therefore 0% (2009: 0%).

(vii) 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 Corporate Income Tax exemption for the five years ended 31 December 2011. The applicable Corporate Income Tax rate in 2010 is therefore 0% (2009: 0%).

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

	2010 **RMB'000**	2009 RMB'000
Profit before taxation	**8,115,460**	4,508,496
Notional tax on profit before taxation calculated at 25% (2009: 25%)	**2,028,865**	1,127,124
Tax effect of tax exemption enjoyed by subsidiaries	**(150,737)**	(168,704)
Tax effect of different tax rates applicable to subsidiaries	**(145,998)**	(99,246)
Tax effect of non-deductible expenses	**39,523**	8,385
Tax effect of non-taxable income	**(22,033)**	(11,310)
Tax effect of unused tax losses not recognised	**7,896**	1,502
Income tax credits relating to subsidiaries	**–**	9,660
Under-provision in respect of prior years	**12,575**	14,601
Actual tax expense	**1,770,091**	882,012

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

8 DIRECTORS' REMUNERATION

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

	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement plan contributions RMB'000	2010 Total RMB'000
Chairman					
Guo Wensan*	–	–	–	–	–
Executive directors					
Ji Qinying	–	151	362	16	529
Qi Shengli	–	147	833	16	996
Guo Jingbin*	–	–	–	–	–
Wu Jianping	–	–	685	–	685
Independent non-executive directors					
Kang Woon	–	100	–	–	100
Ding Meicai*	–	–	–	–	–
Chan Yuk Tong	–	100	–	–	100
Supervisors					
Wang Jun*	–	–	–	–	–
Wang Yanmou	–	80	–	–	80
Ding Feng	–	129	265	16	410
	–	707	2,145	48	2,900

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

8 DIRECTORS' REMUNERATION (CONTINUED)

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

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

Notes to the financial statements

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9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2009: one) is a director whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other four (2009: four) individuals are as follows:

	2010 **RMB'000**	2009 RMB'000
Salaries and other emoluments	**582**	435
Discretionary bonuses	**2,953**	2,466
Retirement plan contributions	**65**	58
	3,600	2,959

The emoluments of the four (2009: four) individuals with the highest emoluments are within the following bands:

	2010 **Number of individuals**	2009 Number of individuals
Nil – HK$1,000,000 (equivalent to RMB850,900)	**2**	4
HK$1,000,001 (equivalent to RMB850,901) – HK$1,500,000 (equivalent to RMB1,276,350)	**2**	–

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB249,706,000 (2009: RMB203,216,000) which has been dealt with in the financial statements of the Company.

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

	2010 **RMB'000**	2009 RMB'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**249,706**	203,216
Final dividends from subsidiaries and associates attributable to the profits of the previous financial year, approved and paid during the year:		
– From subsidiaries	**3,535,038**	2,655,130
– From an associate	**–**	4,000
– From a jointly controlled entity	**4,173**	–
The Company's profit for the year (note 37(a))	**3,788,917**	2,862,346

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

Notes to the financial statements

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11 OTHER COMPREHENSIVE INCOME

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

	2010			2009		
	Before-tax amount RMB'000	**Tax expense RMB'000**	**Net-of-tax amount RMB'000**	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Available-for-sale equity securities: net movement in fair value reserve	**882,907**	**(220,727)**	**662,180**	1,182,408	(292,547)	889,861
Other comprehensive income	**882,907**	**(220,727)**	**662,180**	1,182,408	(292,547)	889,861

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

	2010 RMB'000	2009 RMB'000
Available-for-sale equity securities		
Changes in fair value recognised during the year	**882,907**	1,188,443
Net deferred tax charged to comprehensive income	**(220,727)**	(292,547)
Reclassification adjustments for amounts transferred to profit or loss due to disposal	**–**	(6,035)
Net movement in the fair value reserve during the year recognised in other comprehensive income	**662,180**	889,861

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12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the year ended 31 December 2010 of RMB6,163,481,000 (2009: RMB3,505,936,000) and the weighted average number of shares in issue during the year ended 31 December 2010 of 3,532,868,000 (2009: 3,532,868,000 after adjustment for the capitalisation issue in 2010).

Weighted average number of ordinary shares

	2010 thousand	2009 thousand
Issued ordinary shares at 1 January	**1,766,434**	1,766,434
Effect of capitalisation issue (note 37(c)(ii))	**1,766,434**	1,766,434
Weighted average number of ordinary shares at 31 December	**3,532,868**	3,532,868

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the years ended 31 December 2010 and 2009.

13 SEGMENT REPORTING

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

13 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities

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

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

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

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

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

Notes to the financial statements

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13 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 years ended 31 December 2010 and 2009 is set out below:

For the year ended 31 December 2010

	East China RMB'000	Central China RMB'000	South China RMB'000	West China RMB'000	Subtotal RMB'000	Reconciling items (note b) RMB'000	Total RMB'000
Revenue from external customers	10,956,077	14,378,479	7,772,689	1,401,037	34,508,282	-	34,508,282
Inter-segment revenue	1,229,634	6,949,939	107,564	167	8,287,304	(8,287,304)	-
Reportable segment revenue	12,185,711	21,328,418	7,880,253	1,401,204	42,795,586	(8,287,304)	34,508,282
Reportable segment profit (Profit before taxation)	1,331,293	5,723,272	2,360,999	332,842	9,748,406	(1,632,946)	8,115,460
Interest income	6,284	35,097	2,889	631	44,901	-	44,901
Interest expense	(73,408)	(352,287)	(74,834)	(13,628)	(514,157)	-	(514,157)
Depreciation and amortisation for the year	(279,246)	(1,235,528)	(373,235)	(131,318)	(2,019,327)	-	(2,019,327)
Impairment of property, plant and equipment	(33,724)	(6,911)	-	-	(40,635)	-	(40,635)
Reportable segment assets (including investment in associates and joint ventures)	9,982,827	43,908,331	9,285,897	8,006,318	71,183,373	(10,916,931)	60,266,442
Additions to non-current segment assets during the year	1,969,817	3,718,920	1,090,024	3,670,676	10,449,437	-	10,449,437
Reportable segment liabilities	6,085,008	13,595,847	2,360,713	4,985,933	27,027,501	(1,869,527)	25,157,974

Notes to the financial statements

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13 SEGMENT REPORTING (CONTINUED)

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

For the year ended 31 December 2009

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

13 SEGMENT REPORTING (CONTINUED)

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

	2010	2009
	RMB'000	RMB'000
Revenue		
Elimination of inter-segment revenue	**(8,287,304)**	(5,811,300)
Profit		
Elimination of inter-segment profits	**(1,670,074)**	(1,467,167)
Differences between		
PRC accounting standards and IFRS*		
– item (1)	**3,838**	3,838
– item (2)	**33,290**	28,115
	(1,632,946)	(1,435,214)

	2010	2009
	RMB'000	RMB'000
Assets		
Elimination of inter-segment balances	**(10,771,520)**	(9,593,348)
Differences between		
PRC accounting standards and IFRS*		
– item (1)	**(140,711)**	(144,549)
– item (3)	**(4,700)**	–
	(10,916,931)	(9,737,897)
Liabilities		
Elimination of inter-segment balances	**(2,247,472)**	(1,512,384)
Differences between		
PRC accounting standards and IFRS*		
– item (2)	**377,945**	333,599
	(1,869,527)	(1,178,785)

13 SEGMENT REPORTING (CONTINUED)

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

* Differences between PRC accounting standards and IFRS:

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

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

– item (3): The difference arises from the profit for the year in respect of jointly controlled entities under IFRS.

(c) Geographic information

The following table sets out information about the geographic location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets, goodwill, interests in associates and jointly controlled entities ("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	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**32,821,384**	23,542,603	**42,819,022**	33,958,991
Others	**1,686,898**	1,455,404	**–**	–
	34,508,282	24,998,007	**42,819,022**	33,958,991

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

14 PROPERTY, PLANT AND EQUIPMENT AND LEASE PREPAYMENTS

(a) The Group

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction-in-progress RMB'000	Sub-total RMB'000	Interest in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
At 1 January 2009	10,810,973	17,561,420	427,414	584,370	2,731,794	32,115,971	1,411,040	33,527,011
Additions	43,515	356,224	9,820	96,924	7,573,153	8,079,636	274,598	8,354,234
Transfer from construction-in-progress	1,807,583	2,569,921	9,685	-	(4,387,189)	-	-	-
Transfer out due to partial disposal of a subsidiary	(33,893)	(31,260)	(490)	(1,369)	(742)	(67,754)	(53,362)	(121,116)
Disposals	(43,333)	(33,192)	(1,513)	(6,869)	-	(84,907)	-	(84,907)
At 31 December 2009	12,584,845	20,423,113	444,916	673,056	5,917,016	40,042,946	1,632,276	41,675,222
At 1 January 2010	12,584,845	20,423,113	444,916	673,056	5,917,016	40,042,946	1,632,276	41,675,222
Additions	14,806	321,231	18,224	193,283	9,048,012	9,595,556	463,939	10,059,495
Transfer from construction-in-progress	4,167,466	4,361,428	69,462	-	(8,598,356)	-	-	-
Disposals	(8,712)	(53,868)	(117)	(14,920)	-	(77,617)	-	(77,617)
At 31 December 2010	16,758,405	25,051,904	532,485	851,419	6,366,672	49,560,885	2,096,215	51,657,100
Accumulated depreciation and impairment:								
At 1 January 2009	1,616,297	4,670,397	337,870	324,512	-	6,949,076	147,388	7,096,464
Charge for the year	364,866	1,120,187	31,810	88,027	-	1,604,890	27,919	1,632,809
Transfer out due to partial disposal of a subsidiary	(1,424)	(2,432)	(93)	(133)	-	(4,082)	(1,690)	(5,772)
Written back on disposals	(5,170)	(20,350)	(1,347)	(6,507)	-	(33,374)	-	(33,374)
At 31 December 2009	1,974,569	5,767,802	368,240	405,899	-	8,516,510	173,617	8,690,127
At 1 January 2010	1,974,569	5,767,802	368,240	405,899	-	8,516,510	173,617	8,690,127
Charge for the year	450,769	1,370,680	36,775	84,076	-	1,942,300	43,144	1,985,444
Impairment loss	6,353	34,279	3	-	-	40,635	-	40,635
Written back on disposals	(725)	(43,408)	(106)	(12,822)	-	(57,061)	-	(57,061)
At 31 December 2010	2,430,966	7,129,353	404,912	477,153	-	10,442,384	216,761	10,659,145
Net book value:								
At 31 December 2010	14,327,439	17,922,551	127,573	374,266	6,366,672	39,118,501	1,879,454	40,997,955
At 31 December 2009	10,610,276	14,655,311	76,676	267,157	5,917,016	31,526,436	1,458,659	32,985,095

Lease prepayments represent interest in leasehold land held for own use under operating leases.

14 PROPERTY, PLANT AND EQUIPMENT AND LEASE PREPAYMENTS (CONTINUED)

(a) The Group (continued)

(i) In 2010, certain fixtures on buildings and plant and machinery in the Eastern China and Central China divisions were damaged or have become technically obsolete. The Group assessed the recoverable amount of these assets and as a result, their carrying amounts were written down by RMB6,353,000 and RMB34,279,000 respectively (included in "administrative expenses") (2009: nil).

(ii) As at 31 December 2010, the carrying amount of interest in leasehold land held for own use under operating leases and property, plant and equipment pledged as security against the Group's non-current borrowings of RMB650,000,000 (2009: RMB650,000,000) amounted to approximately RMB527,234,000 (2009: RMB572,605,000).

(iii) As at 31 December 2010, application for the registration of interest in leasehold land acquired for own use under operating leases with cost of approximately RMB104,423,000 (2009: RMB148,745,000) was still in progress.

(iv) During the year, the Group entered into sales and leaseback agreements with a finance lease company, an independent third party. The agreements are for the period of three years. At the end of the respective lease term, the Group has the option to purchase the leased plant and machinery at a nominal value of RMB 1. None of the leases includes contingent rentals.

The sales and leaseback transactions resulted in deferred gains on disposal of the related plant and machinery (note 36) which are leased back and recorded as the Group's additions to plant and machinery of RMB177,478,000 (2009: nil). As at 31 December 2010, the net book value of plant and machinery held under the above transactions of the Group was RMB176,491,000 (2009: nil).

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(Expressed in Renminbi Yuan unless otherwise indicated)

14 PROPERTY, PLANT AND EQUIPMENT AND LEASE PREPAYMENTS (CONTINUED)

(b) The Company

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction-in-progress RMB'000	Sub-total RMB'000	Interest in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
At 1 January 2009	505,760	1,000,262	10,287	28,619	23,189	1,568,117	59,227	1,627,344
Additions	13,918	–	520	768	394	15,600	–	15,600
Transfer from construction-in-progress	137	1,143	223	–	(1,503)	–	–	–
Disposals	–	(8,170)	(5)	(563)	–	(8,738)	–	(8,738)
At 31 December 2009	519,815	993,235	11,025	28,824	22,080	1,574,979	59,227	1,634,206
At 1 January 2010	519,815	993,235	11,025	28,824	22,080	1,574,979	59,227	1,634,206
Additions	–	7,822	2,085	18,770	58,105	86,782	–	86,782
Transfer from construction-in-progress	2,196	2,754	–	–	(4,950)	–	–	–
Disposals	–	(38,003)	–	(1,771)	–	(39,774)	–	(39,774)
At 31 December 2010	522,011	965,808	13,110	45,823	75,235	1,621,987	59,227	1,681,214
Accumulated depreciation and impairment:								
At 1 January 2009	144,868	346,776	6,177	20,207	–	518,028	6,009	524,037
Charge for the year	18,496	62,265	2,861	1,820	–	85,442	1,194	86,636
Written back on disposals	–	(3)	(5)	(499)	–	(507)	–	(507)
At 31 December 2009	163,364	409,038	9,033	21,528	–	602,963	7,203	610,166
At 1 January 2010	163,364	409,038	9,033	21,528	–	602,963	7,203	610,166
Charge for the year	21,748	57,393	755	2,372	–	82,268	1,194	83,462
Impairment loss	1,951	580	–	–	–	2,531	–	2,531
Written back on disposals	–	(33,503)	–	(1,459)	–	(34,962)	–	(34,962)
At 31 December 2010	187,063	433,508	9,788	22,441	–	652,800	8,397	661,197
Net book value:								
At 31 December 2010	334,948	532,300	3,322	23,382	75,235	969,187	50,830	1,020,017
At 31 December 2009	356,451	584,197	1,992	7,296	22,080	972,016	52,024	1,024,040

Lease prepayments represent interest in leasehold land held for own use under operating leases.

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14 PROPERTY, PLANT AND EQUIPMENT AND LEASE PREPAYMENTS (CONTINUED)

(b) The Company (continued)

(i) In 2010, certain fixtures on buildings and plant and machinery of the Company were damaged or have become technically obsolete. The Company assessed the recoverable amount of these assets and as a result, their carrying amounts were written down by RMB1,951,000 and RMB580,000 respectively (included in "administrative expenses") (2009: nil).

(ii) As at 31 December 2010, the carrying amount of interest in leasehold land held for own use under operating leases and property, plant and equipment pledged as security against the Company's non-current borrowings of RMB650,000,000 (2009: RMB650,000,000) amounted to approximately RMB527,234,000 (2009: RMB572,605,000).

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

15 INTANGIBLE ASSETS

(a) The Group

	Limestone mining rights RMB'000	Clay mining rights RMB'000	Others (note) RMB'000	Total RMB'000
Cost:				
At 1 January 2009	297,549	19,341	1,633	318,523
Additions	243,328	237	23	243,588
At 31 December 2009	540,877	19,578	1,656	562,111
At 1 January 2010	540,877	19,578	1,656	562,111
Additions	322,827	12,535	22	335,384
At 31 December 2010	863,704	32,113	1,678	897,495
Accumulated amortisation:				
At 1 January 2009	66,335	3,301	684	70,320
Charge for the year	14,676	631	68	15,375
At 31 December 2009	81,011	3,932	752	85,695
At 1 January 2010	81,011	3,932	752	85,695
Charge for the year	29,157	818	70	30,045
At 31 December 2010	110,168	4,750	822	115,740
Net book value:				
At 31 December 2010	753,536	27,363	856	781,755
At 31 December 2009	459,866	15,646	904	476,416

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

15 INTANGIBLE ASSETS (CONTINUED)

(a) The Group (continued)

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

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

As at 31 December 2010, application for the registration of limestone mining rights with cost of approximately RMB32,221,000 (2009: RMB239,221,000) was still in progress.

As at 31 December 2010, application for the registration of clay mining rights with cost of approximately RMB642,000 (2009: nil) was still in progress.

(b) The Company

	Limestone mining rights RMB'000
Cost:	
At 1 January 2009	24,916
Additions	2,600
At 31 December 2009	27,516
At 1 January 2010	27,516
Additions	31,040
At 31 December 2010	58,556
Accumulated amortisation:	
At 1 January 2009	7,053
Charge for the year	2,049
At 31 December 2009	9,102
At 1 January 2010	9,102
Charge for the year	3,358
At 31 December 2010	12,460
Net book value:	
At 31 December 2010	46,096
At 31 December 2009	18,414

The limestone mining rights are valid for a period of 10 to 20 years.

Notes to the financial statements

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16 GOODWILL

	The Group	
	2010	2009
	RMB'000	RMB'000
Carrying amount:		
At 1 January and 31 December	**16,120**	16,120

Impairment tests for cash-generating units containing goodwill

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

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

17 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2010	2009
	RMB'000	RMB'000
Unlisted shares, at cost	**28,035,338**	26,488,936
Less: impairment	**(47,500)**	(47,500)
	27,987,838	26,441,436

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The particulars of subsidiaries, all of which are either limited liability companies or joint stock limited companies established and operating in the PRC, at 31 December 2010 are as follows (United States dollars referred to as "USD"):

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Ningbo Conch Cement Co., Ltd. ("Ningbo Conch") 寧波海螺水泥有限公司	RMB 171,000,000	75%	75%	–	Manufacture and sale of clinker and cement products
Anhui Conch Cement Product Co., Ltd. ("Conch Plant") 安徽海螺水泥有限公司	RMB 256,143,964	100%	100%	–	Manufacture and sale of clinker and cement products
Shanghai Mingzhu Conch Cement Co., Ltd. ("Mingzhu Conch") 上海海螺明珠水泥有限責任公司	RMB 13,710,000	94.2%	76.2%	18%	Manufacture and sale of clinker and cement products
Anhui Tongling Conch Cement Co., Ltd. ("Tongling Conch") 安徽銅陵海螺水泥有限公司	RMB 742,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Anhui Changfeng Conch Cement Co., Ltd. ("Changfeng Conch") 安徽長豐海螺水泥有限公司	RMB 10,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Zhangjiagang Conch Cement Co., Ltd. ("Zhangjiagang Conch") 張家港海螺水泥有限公司	RMB 35,000,000	98.71%	98.71%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

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17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

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17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

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17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

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17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

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17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

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17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

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17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

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17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

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17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Huangshan Conch Cement Co., Ltd. ("Huangshan Conch") 黃山海螺水泥有限責任公司	RMB 80,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Huazhou Conch Cement Co., Ltd. ("Huazhou Conch") 化州海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Wuhan Conch Cement Co., Ltd. ("Wuhan Conch") 武漢海螺水泥有限責任公司	RMB 50,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jianghua Conch Cement Co., Ltd. ("Jianghua Conch") 江華海螺水泥有限責任公司	RMB 266,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jianghua Conch Plastic Packaging Co., Ltd. ("Jianghua Plastic") 江華海螺塑料包裝有限責任公司	RMB 20,000,000	100%	100%	–	Manufacture and sale of cement packaging
Longling Huihe Cement Co., Ltd. ("Longling Huihe") 龍陵匯合水泥有限責任公司	RMB 35,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guangyuan Conch Plastic Packaging Co., Ltd. ("Guangyuan Plastic") 廣元海螺塑料包裝有限責任公司	RMB 20,000,000	100%	100%	–	Manufacture and sale of cement packaging

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18 INTEREST IN ASSOCIATES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted shares, at cost	**–**	–	**157,429**	157,429
Share of net assets	**159,590**	159,364	**–**	–
	159,590	159,364	**157,429**	157,429

The particulars of the associates, all of which are unlisted and operating in the PRC, at 31 December 2010 are as follows:

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

* These two associates of the Group were in the process of liquidation as at 31 December 2010 and 2009.

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18 INTEREST IN ASSOCIATES (CONTINUED)

Summary financial information on associates – 100 percent

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenue RMB'000	Profit after taxation RMB'000
2010					
King Bridge Cement	**139,291**	**10,263**	**129,028**	**83,925**	**567**
Fusui Conch	**217,508**	**12,901**	**204,607**	**–**	**–**
Xingye Conch	**207,090**	**3,065**	**204,025**	**–**	**–**
2009					
King Bridge Cement	139,718	11,257	128,461	83,931	208
Fusui Conch	217,508	12,901	204,607	–	–
Xingye Conch	207,090	3,065	204,025	–	–

19 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Unlisted shares, at cost	**–**	–	**809,000**	314,000
Share of net assets	**863,602**	321,996	**–**	–
	863,602	321,996	**809,000**	314,000

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INTEREST IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

Details of the Group's interests in the jointly controlled entities, all of which are unlisted and operating in the PRC, at 31 December 2010 are as follows:

Name of joint venture	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Guiding Conch Panjiang Cement Co., Ltd. ("Guiding Conch Panjiang") 貴定海螺盤江水泥有限責任公司	RMB 460,000,000	50%	50%	–	Manufacture and sale of clinker and cement products
Guiyang Conch Panjiang Cement Co., Ltd. ("Guiyang Conch Panjiang") 貴陽海螺盤江水泥有限責任公司	RMB 480,000,000	50%	50%	–	Manufacture and sale of clinker and cement products
Zunyi Conch Panjiang Cement Co., Ltd. ("Zunyi Conch Panjiang") 遵義海螺盤江水泥有限責任公司	RMB 530,000,000	50%	50%	–	Manufacture and sale of clinker and cement products
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. ("Conch Kawasaki Equipment") 安徽海螺川崎裝備製造有限責任公司	RMB 148,000,000	50%	50%	–	Provision of installation and repair services of machinery

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19 INTEREST IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

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

	2010 **RMB'000**	2009 RMB'000
Non-current assets	**958,474**	519,683
Current assets	**443,440**	212,002
Non-current liabilities	**(324,700)**	(320,222)
Current liabilities	**(213,612)**	(89,467)
Net assets	**863,602**	321,996
Income	**354,626**	33,376
Expenses	**(303,847)**	(30,140)
Profit for the year	**50,779**	3,236
Unrealised profit	**(23,752)**	(4,605)
Share of profits/(losses) of jointly controlled entities	**27,027**	(1,369)

20 LOANS AND RECEIVABLES

	The Group	
	2010 **RMB'000**	2009 RMB'000
Loans and receivables	**335,774**	344,848
Less: Current portion of loans and receivables (note 24)	**(225,558)**	(212,986)
	110,216	131,862

As at 31 December 2010, loans and receivables represented advances made to local government authorities of which RMB327,174,000 (2009: RMB329,527,000) are unsecured, interest bearing at 5.31%~7.56% (2009: 5.31%~7.56%) per annum and repayable in 2011 to 2015. The remaining balance of RMB8,600,000 (2009: RMB15,321,000) is unsecured, interest free and repayable in 2011 and 2012.

21 AVAILABLE-FOR-SALE EQUITY SECURITIES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Available-for-sale equity securities				
– Listed in the PRC				
(with trading restrictions)	**–**	302,888	**–**	302,888
– Listed in the PRC	**3,754,675**	2,041,104	**3,754,675**	2,041,104
	3,754,675	2,343,992	**3,754,675**	2,343,992

In 2006, the Company and Anhui Chaodong Cement Group Company Limited ("Chaodong Group"), a related party, entered into a Share Transfer Agreement pursuant to which the Company agreed to acquire 39,385,700 A shares of Anhui Chaodong Cement Company Limited ("Chaodong Company") (representing approximately 19.69% of the then total number of shares of Chaodong Company) held by Chaodong Group at a price of RMB2.48 per share for a total cash consideration of RMB97,677,000. On 13 April 2007, the approval from the China Securities Regulatory Commission ("CSRC") in respect of the aforesaid transaction was obtained, and the transfer of these A shares was registered on the Shanghai Stock Exchange ("the SSE") in June 2007. These A shares are not transferable for a three-year period from the date the transfer became effective. The total investment cost in Chaodong Company, including transaction costs, of RMB98,019,000 has been recognised as available-for-sale equity securities. The three-year lockup period ended in July 2010 and the trading restriction was lifted thereupon.

All available-for-sale equity securities held by the Group and the Company 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 as at 31 December 2010.

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22 INVENTORIES

(a) Inventories in the balance sheets comprise:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Raw materials	**1,219,512**	1,054,017	**57,576**	132,324
Work in progress	**169,318**	107,252	**3,552**	2,801
Finished goods	**847,854**	785,026	**53,336**	44,994
Spare parts	**256,444**	225,896	**71,061**	42,203
	2,493,128	2,172,191	**185,525**	222,322

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

	The Group	
	2010	2009
	RMB'000	RMB'000
Carrying amount of inventories recognised as expenses	**23,130,625**	17,740,481
Write down of inventories	**2,961**	–
	23,133,586	17,740,481

23 TRADE RECEIVABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**495,207**	429,020	**24,034**	35,022
Less: allowance for doubtful debt (note 23(b))	**(9,940)**	(13,910)	**(434)**	(3,828)
	485,267	415,110	**23,600**	31,194
Bank acceptance notes receivable	**5,907,874**	2,608,697	**1,259,476**	792,308
Commercial acceptance notes receivable	**10,419**	6,330	**–**	–
	6,403,560	3,030,137	**1,283,076**	823,502

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

(a) Ageing analysis

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current or overdue within 60 days (inclusive)	**6,403,560**	3,030,137	**1,283,076**	823,502

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

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

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23 TRADE RECEIVABLES (CONTINUED)

(a) Ageing analysis (continued)

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year (inclusive)	**6,403,560**	3,030,137	**1,283,076**	823,502

(b) Impairment of trade debtors and notes receivable

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

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**13,910**	16,780	**3,828**	7,010
Impairment loss reversed	**(3,411)**	(378)	**(3,394)**	(705)
Uncollectible amounts written off	**(559)**	(2,492)	**–**	(2,477)
At 31 December	**9,940**	13,910	**434**	3,828

At 31 December 2010, the Group's and the Company's trade receivables of approximately RMB162,000 (2009: RMB1,100,000) and RMB102,000 (2009: RMB807,000) respectively were individually determined to be impaired. Consequently, specific allowances for doubtful debts of RMB162,000 (2009: RMB1,100,000) and RMB102,000 (2009: RMB807,000) respectively were recognised. The Group does not hold any collateral over these balances.

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23 TRADE RECEIVABLES (CONTINUED)

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

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Neither past due nor impaired	**6,388,843**	3,023,060	**1,279,846**	817,273
Overdue within 60 days (inclusive)	**14,717**	7,077	**3,230**	6,229
	6,403,560	3,030,137	**1,283,076**	823,502

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

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

24 PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Purchase deposits	**464,719**	352,577	**101,444**	12,048
Subsidies receivable	**–**	1,077	**–**	–
Current portion of loans and receivables (note 20)	**225,558**	212,986	**–**	–
Value-added tax recoverable	**712,672**	525,038	**–**	–
Forward exchange contracts used for economic hedges	**1,753**	–	**–**	–
Other receivables	**121,980**	92,267	**11,660**	10,924
	1,526,682	1,183,945	**113,104**	22,972

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

25 AMOUNTS DUE FROM/TO SUBSIDIARIES

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

26 AMOUNTS DUE FROM/TO RELATED PARTIES

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Amounts due from:				
Anhui Conch Kawasaki Engineering Co., Ltd. ("Conch Kawasaki Engineering") 安徽海螺川崎工程有限公司	**128,156**	286,584	**–**	–
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	**78,485**	103,485	**–**	–
Conch Kawasaki Equipment	**108,673**	51,917	**1,371**	3,390
Guiding Conch Panjiang	**2,868**	20,263	**–**	–
Yingde Dragon Mountain Cement Co., Ltd. ("Dragon Mountain") 英德龍山水泥有限責任公司	**4,406**	9,083	**–**	–
Wuhu Conch Profiles and Science Co., Ltd. ("Conch Profiles and Science") 蕪湖海螺型材科技股份有限公司	**1,458**	3,447	**–**	–
Wuhu Conch Venture Property Investment Co., Ltd. ("Conch Venture Property") 蕪湖海創置業有限責任公司	**7,724**	2,880	**7,723**	2,880
Guiyang Conch Panjiang	**2,135**	1,826	**–**	38
Anhui Conch Construction Materials Design Centre ("Conch Design") 安徽海螺建材設計院	**1,460**	405	**360**	360
Wuhu Sanshan Port Co., Ltd. ("Sanshan Port") 蕪湖三山港務有限公司	**–**	17	**–**	–
Yingde Conch Profiles Co., Ltd. ("Yingde Profiles") 英德海螺型材有限責任公司	**15**	–	**3,549**	–
Zunyi Conch Panjiang	**32**	–	**–**	–
Wuhu Conch New Materials Co., Ltd. ("Conch New Materials") 蕪湖海螺新材料有限公司	**23**	–	**–**	–
	335,435	479,907	**13,003**	**6,668**

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(Expressed in Renminbi Yuan unless otherwise indicated)

26 AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due to:				
Conch Kawasaki Engineering	**148,509**	102,738	**5,135**	–
Conch Kawasaki Energy Conservation	**86,730**	57,650	**–**	–
Xingye Conch	**56,800**	56,800	**56,800**	56,800
Fusui Conch	**41,373**	41,373	**41,373**	41,373
Conch Kawasaki Equipment	**23,574**	22,283	**1,475**	3
Sanshan Port	**58**	2,594	**34**	792
Dragon Mountain	**1,988**	2,371	**–**	–
Conch New Materials	**1,252**	904	**335**	282
Anhui Conch Venture Investment Company Limited ("Conch Venture") 安徽海螺創業投資有限責任公司	**–**	191	**–**	191
Conch Design	**679**	–	**–**	–
Conch Profiles and Science	**427**	99	**9**	13
Anhui Conch Holdings Co., Ltd. ("Conch Holdings") 安徽海螺集團有限責任公司	**5,556**	–	**–**	–
	366,946	287,003	**105,161**	99,454

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

27 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits with banks	**–**	600,000	**–**	600,000
Cash at bank and in hand	**2,689,148**	2,972,876	**896,376**	1,637,133
Cash and cash equivalents in the balance sheet	**2,689,148**	3,572,876	**896,376**	2,237,133

27 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Note	2010 RMB'000	2009 RMB'000
Profit before taxation		**8,115,460**	4,508,496
Adjustments for:			
Depreciation	6(c)	**1,942,300**	1,604,890
(Reversal of impairment loss)/ impairment loss on trade and other receivables	6(c)	**(3,173)**	2,230
Write-down of inventories	22(b)	**2,961**	–
Impairment of property, plant and equipment	6(c)	**40,635**	–
Amortisation of interest in leasehold land held for own use under operating leases	6(c)	**43,144**	27,919
Amortisation of intangible assets	6(c)	**30,045**	15,375
Finance costs	6(a)	**514,157**	451,145
Interest income	5	**(44,901)**	(97,898)
Dividend income from available-for-sale equity securities	5	**–**	(9,966)
Share of profits of associates		**(226)**	(83)
Share of (gains)/losses of jointly controlled entities	19	**(27,027)**	1,369
Net loss on disposal of fixed assets	5	**10,351**	34,043
Net gain on partial disposal of a subsidiary	5	**–**	(889)
Net loss on disposal of other investments in equity securities	5	**–**	10
Net realised gain on trading securities	5	**–**	(346)
Change in fair value of derivatives	5	**(1,753)**	–
Reclassification from equity on disposal of available-for-sale equity securities	5	**–**	(6,035)
Operating profit before changes in working capital carried forward		**10,621,973**	6,530,260

(Expressed in Renminbi Yuan unless otherwise indicated)

27 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Note	2010 RMB'000	2009 RMB'000
Operating profit before changes in working capital brought forward		**10,621,973**	6,530,260
Changes in working capital:			
Increase in inventories		**(323,898)**	(342,302)
(Increase)/decrease in trade receivables		**(3,370,012)**	1,172,298
Increase in prepayments and other receivables		**(303,758)**	(509,829)
Decrease/(increase) in amounts due from related parties		**24,474**	(35,080)
(Decrease)/increase in trade payables		**(273,020)**	822,304
Increase in other payables and accruals		**875,512**	119,611
Decrease in amounts due to related parties		**(1,755)**	(1,099)
Decrease in long-term payables		**(4,097)**	(6,359)
Increase in deferred income		**46,908**	102,594
Cash generated from operations		**7,292,327**	7,852,398

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

28 TRADE PAYABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**4,001,783**	3,333,860	**928,827**	744,266
Notes payable	**–**	940,943	**200,000**	1,294,178
	4,001,783	4,274,803	**1,128,827**	2,038,444

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year (inclusive)	**3,986,624**	4,260,096	**1,128,268**	2,038,077
Between 1 year and 2 years (inclusive)	**11,438**	10,814	**458**	367
Between 2 years and 3 years (inclusive)	**2,385**	2,922	**101**	–
Over 3 years	**1,336**	971	**–**	–
	4,001,783	4,274,803	**1,128,827**	2,038,444

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

29 OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Construction cost payables	**2,108,177**	924,806	**26,905**	8,080
Receipts in advance from customers	**762,767**	551,588	**72,052**	93,097
Deposits from suppliers	**321,017**	214,811	**39,214**	32,106
Retention moneys	**604,506**	572,343	**3,938**	8,669
Expense accruals	**84,223**	71,671	**11,988**	13,442
Value-added tax payables	**151,745**	72,017	**39,017**	9,226
Other taxes payables	**147,536**	84,159	**10,170**	7,759
Payables for leasehold land held for own use under operating lease	**–**	91,650	**–**	–
Acquisition cost of limestone mining rights payable	**8,000**	19,400	**–**	–
Acquisition cost of clay mining rights payable	**1,953**	3,471	**–**	–
Withholding tax payable	**–**	952	**–**	84
Interest payable	**21,421**	17,241	**9,657**	8,794
Other payables	**403,784**	345,454	**53,955**	45,754
	4,615,129	2,969,563	**266,896**	227,011

30 NON-CURRENT INTEREST-BEARING BORROWINGS

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

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Bank loans (note 32)				
– unsecured	**5,377,750**	4,085,440	**150,000**	150,000
Loans from Conch Holdings				
– unsecured (note (b)(i))	**4,900,000**	600,000	**40,000**	–
Other borrowings				
– secured (note (b)(ii))	**650,000**	650,000	**650,000**	650,000
– unsecured (note (b)(iii))	**43,636**	58,182	**–**	–
	10,971,386	5,393,622	**840,000**	800,000

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

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

(i) Loans from Conch Holdings bear interest at a fixed rate of 4.69%~4.83% per annum. The loans are unsecured and repayable starting January 2013.

(ii) Other secured borrowings of the Group and the Company are provided by the International Finance Corporation ("IFC"). The loan bears interest at a rate of 5.32% (2009: 5.32%) per annum and is repayable in September 2015. At 31 December 2010, the loan was secured by property, plant and equipment of the Group with carrying amount of approximately RMB478,323,000 (2009: RMB520,581,000) and leasehold land held for own use under operating leases of the Group with carrying amount of approximately RMB48,911,000 (2009: RMB52,024,000). The loan is subject to various financial covenants that are reported to IFC on a yearly basis.

(iii) Other unsecured borrowings are national debt loan (國債轉貸) provided by the Anhui Finance Bureau. The loan bears interest at a rate of 2.55% (2009: 4.44%) per annum and is repayable in June 2017.

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31 CURRENT INTEREST-BEARING BORROWINGS

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans (note 32)	**2,964,250**	3,523,280	**350,000**	760,000
Other borrowings	**207,273**	660,000	**–**	200,000
	3,171,523	4,183,280	**350,000**	960,000

At 31 December 2010, other borrowings of the Group amounting to RMB200,000,000 were outstanding discounted bills with recourse (2009: RMB660,000,000).

32 BANK LOANS

At 31 December 2010, the bank loans were repayable as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year or on demand (note 31)	**2,964,250**	3,523,280	**350,000**	760,000
After 1 year but within 2 years	**2,380,500**	1,279,130	**50,000**	100,000
After 2 years but within 5 years	**2,927,250**	2,790,310	**100,000**	50,000
After 5 years	**70,000**	16,000	**–**	–
Total non-current bank loans (note 30(a))	**5,377,750**	4,085,440	**150,000**	150,000
	8,342,000	7,608,720	**500,000**	910,000

32 BANK LOANS (CONTINUED)

At 31 December 2010 and 2009, no bank loans of the Group and the Company were secured by property, plant and equipment of the Group and the Company or leasehold land held for own use under operating leases of the Group and the Company.

At 31 December 2010, unsecured bank loans of the Group and the Company totalling RMB2,552,000,000 (2009: RMB1,632,000,000) and RMB50,000,000 (2009: RMB600,000,000) respectively were guaranteed by Conch Holdings.

At 31 December 2010, the banking facilities of the Group amounted to approximately RMB64,891,910,000 (2009: RMB57,543,000,000). The facilities were utilised to the extent of approximately RMB14,318,910,000 (2009: RMB10,452,120,000).

33 INCOME TAX IN THE BALANCE SHEETS

(a) Current taxation in the balance sheets represents:

	The Group		**The Company**	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Provision for PRC Corporate Income Tax for the year	**1,777,537**	869,422	**96,279**	62,983
PRC Corporate Income Tax paid	**(942,244)**	(542,221)	**(41,895)**	(31,649)
	835,293	327,201	**54,384**	31,334
Representing:				
Tax recoverable	**(6,907)**	(15,637)	**–**	–
Tax payable	**842,200**	342,838	**54,384**	31,334
	835,293	327,201	**54,384**	31,334

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(Expressed in Renminbi Yuan unless otherwise indicated)

33 INCOME TAX IN THE BALANCE SHEETS (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

(i) The Group

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

	Allowances and impairment RMB'000	Unrealised profits (note) RMB'000	Arising from business combination RMB'000	Tax losses RMB'000	Provision RMB'000	Fair value change of available-for-sale equity securities RMB'000	Fair value change of derivatives RMB'000	Total RMB'000
Deferred tax arising from:								
At 1 January 2009	(23,518)	(19,929)	19,907	(22,090)	(3,433)	–	–	(49,063)
Charged/(credited) to income statement	823	(7,495)	(423)	4,502	582	–	–	(2,011)
Charged to reserves	–	–	–	–	–	292,547	–	292,547
At 31 December 2009	(22,695)	(27,424)	19,484	(17,588)	(2,851)	292,547	–	241,473
At 1 January 2010	(22,695)	(27,424)	19,484	(17,588)	(2,851)	292,547	–	241,473
Charged/(credited) to income statement	(2,858)	(24,432)	(423)	7,214	59	–	419	(20,021)
Charged to reserves	–	–	–	–	–	220,727	–	220,727
At 31 December 2010	(25,553)	(51,856)	19,061	(10,374)	(2,792)	513,274	419	442,179

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

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(Expressed in Renminbi Yuan unless otherwise indicated)

33 INCOME TAX IN THE BALANCE SHEETS (CONTINUED)

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

(ii) The Company

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

	Allowances and impairment RMB'000	Fair value change of available-for-sale equity securities RMB'000	Total RMB'000
Deferred tax arising from:			
At 1 January 2009	(11,285)	–	(11,285)
Credited to the income statement	977	–	977
Charged to reserves	–	292,547	292,547
At 31 December 2009	(10,308)	292,547	282,239
At 1 January 2010	(10,308)	292,547	282,239
Credited to the income statement	675	–	675
Charged to reserves	–	220,727	220,727
At 31 December 2010	(9,633)	513,274	503,641

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33 INCOME TAX IN THE BALANCE SHEETS (CONTINUED)

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

(iii) Reconciliation to the balance sheet

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net deferred tax assets recognised on the balance sheet	**(80,943)**	(60,250)	**–**	–
Net deferred tax liabilities recognised on the balance sheet	**523,122**	301,723	**503,641**	282,239
	442,179	241,473	**503,641**	282,239

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34 LONG-TERM PAYABLES

	The Group	
	2010	2009
	RMB'000	RMB'000
Compensation payable (note (a))	**28,518**	32,575
Acquisition cost of mining rights payable (note (b))	**48,000**	54,000
Others	**1,582**	1,622
	78,100	88,197
Less: Current portion of compensation payable (note (a))	**(6,702)**	(9,822)
Current portion of acquisition cost of mining rights payable (note(b))	**(6,000)**	(6,000)
	65,398	72,375

Notes:

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

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

At 31 December 2010, the total remaining obligation in relation to the above agreements amounted to approximately RMB28,518,000 (2009: RMB32,575,000). Compensation payable of RMB6,702,000 (2009: RMB9,822,000) is expected to be settled within the next year.

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

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35 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2010, the Group had obligations under finance leases repayable as follows:

	The Group			
	2010		2009	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**66,742**	**66,749**	–	–
After 1 year but within 2 years	**58,626**	**64,055**	–	–
After 2 years but within 5 years	**52,308**	**61,360**	–	–
	110,934	**125,415**	–	–
	177,676	**192,164**	–	–
Less: total future interest expenses		**(14,488)**		–
Present value of lease obligations		**177,676**		–

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36 DEFERRED INCOME

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**338,187**	235,593	**37,669**	17,926
Government grant received (note (a))	**80,467**	131,051	**–**	22,878
Deferred gain from the sale and leaseback of property, plant and equipment (note (b))	**25,155**	–	**–**	–
Recognised in the income statement	**(33,700)**	(28,457)	**(3,135)**	(3,135)
At 31 December	**410,109**	338,187	**34,534**	37,669

Notes:

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

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

(b) The deferred gain arising from the sale and leaseback of property, plant and equipment is recognised as income over the lease term.

37 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2009		1,766,434	20,112,224	25,289	471,506	(12,220)	1,954,246	24,317,479
Changes in equity for 2009:								
Total comprehensive income for the year		-	-	-	-	889,861	2,862,346	3,752,207
Dividends approved in respect of the previous year	37(b)	-	-	-	-	-	(529,930)	(529,930)
Additional appropriations to reserves due to partial disposal of a subsidiary		-	-	-	360	-	(360)	-
Appropriations to reserves for current year profit	37(d)(iii)	-	-	-	287,140	-	(287,140)	-
Balance at 31 December 2009 and 1 January 2010		**1,766,434**	**20,112,224**	**25,289**	**759,006**	**877,641**	**3,999,162**	**27,539,756**
Changes in equity for 2010:								
Total comprehensive income		**-**	**-**	**-**	**-**	**662,180**	**3,788,917**	**4,451,097**
Dividends approved in respect of the previous year	37(b)	**-**	**-**	**-**	**-**	**-**	**(618,252)**	**(618,252)**
Capitalisation issue	37(c)(ii)	**1,766,434**	**(1,766,434)**	**-**	**-**	**-**	**-**	**-**
Appropriations to reserves for current year profit	37(d)(iii)	**-**	**-**	**-**	**382,878**	**-**	**(382,878)**	**-**
Balance at 31 December 2010		**3,532,868**	**18,345,790**	**25,289**	**1,141,884**	**1,539,821**	**6,786,949**	**31,372,601**

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37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2010 **RMB'000**	2009 RMB'000
Final dividend proposed after the balance sheet date of RMB0.30 per ordinary share (2009: RMB0.35 per ordinary share)	**1,059,861**	618,252

On 28 March 2011, the directors proposed a bonus issue of 5 shares for every 10 shares issued as at 31 December 2010 (2009: 10 shares for every 10 shares issued as at 31 December 2009). As a result, the issued capital of the Company will increase from RMB3,532,868,000 to RMB5,299,302,000 by capitalising share premium of RMB1,766,434,000 (2009: RMB1,766,434,000).

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

The above proposed 2010 dividends were pending for shareholders' approval.

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

	2010 **RMB'000**	2009 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.35 per ordinary share (2009: RMB0.30)	**618,252**	529,930

Notes to the financial statements

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37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

(i) Registered and issued share capital

	2010		2009	
	No. of shares ('000)	**Amount RMB'000**	No. of shares ('000)	Amount RMB'000
Registered:				
H shares of RMB1 each	**866,400**	**866,400**	433,200	433,200
A shares of RMB1 each	**2,666,468**	**2,666,468**	1,022,480	1,022,480
A shares with trading restrictions of RMB1 each	**–**	**–**	310,754	310,754
	3,532,868	**3,532,868**	1,766,434	1,766,434
Issued and fully paid:				
H shares of RMB1 each	**866,400**	**866,400**	433,200	433,200
A shares of RMB1 each	**2,666,468**	**2,666,468**	1,022,480	1,022,480
A shares with trading restrictions of RMB1 each	**–**	**–**	310,754	310,754
	3,532,868	**3,532,868**	1,766,434	1,766,434

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

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

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

37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

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

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

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

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

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

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

On 20 May 2010, the board of directors of the Company applied to the SSE for the listing of the 310,754,000 shares with trading restrictions (representing approximately 18% of the total issued shares of the Company at 31 December 2009) in the Company held by Conch Holdings, Conch Venture and Ping An Trust and Investment Co., Ltd. on the SSE. The SSE approved the listing of such 310,754,000 shares with trading restrictions on 26 May 2010.

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

(ii) 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 shareholders. As a result, the issued share capital of the Company increased from RMB1,766,434,000 to RMB3,532,868,000 through capitalisation of share premium of RMB1,766,434,000.

37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital reserve

The capital reserve comprises the following:

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

– cash contributed by Conch Holdings.

On 26 October 2010, the Company (as purchaser) and the then non-controlling shareholder of Conch Plant, Conch Holdings (as vendor), entered into a sale and purchase agreement pursuant to which both parties agreed to transfer the 25% equity interests in Conch Plant. In accordance with the sale and purchase agreement, the Company will pay cash of RMB84,470,000 to the non-controlling shareholder as purchase consideration for such acquisition. The carrying amount of the non-controlling interests acquired amounted to RMB78,076,000 at the acquisition date. The difference between the cost of acquisition and the carrying amount of the net assets acquired was recognised in capital reserve.

On 26 October 2010, the Company (as purchaser) and the then non-controlling shareholder of Conch Construction, Conch Holdings (as vendor), entered into a sale and purchase agreement pursuant to which both parties agreed to transfer the 5% equity interests in Conch Construction. In accordance with the sale and purchase agreement, the Company will pay cash of RMB2,004,000 to the non-controlling shareholder as purchase consideration for such acquisition. The carrying amount of the non-controlling interests acquired amounted to RMB1,892,000 at the acquisition date. The difference between the cost of acquisition and the carrying amount of the net assets acquired was recognised in capital reserve.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(iii) Statutory surplus reserve

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

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

For the year ended 31 December 2010, the directors have recommended that 10% (2009: 10%) of the statutory net profit of the Company and each of its subsidiaries, where applicable, be appropriated to the statutory surplus reserve.

(iv) Fair value reserve

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

(v) Retained earnings

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

37 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Distributability of reserves

At 31 December 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB6,786,949,000 (2009: RMB3,991,655,000).

(f) Capital management

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

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

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

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2010 was 42% (2009: 39%). In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Other than the Company's other borrowings (secured) of RMB650,000,000 provided by the International Finance Corporation (see note 30(b)(ii)), neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place to ensure that sales of products are made to customers with an appropriate credit history and the exposures to these credit risks are monitored on an ongoing basis. In addition, the Group normally receives deposits from customers before delivery of products.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-60 days from the date of billing, except for retention money in respect of certain sales contracts which is due upon the expiry of the retention period. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long-term strategic purposes. Transactions involving derivative financial instruments are with counterparties of sound credit standing and with whom the Group has a signed netting agreement. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the balance sheet date, the Group has certain concentration of credit risk as 10% (2009: 18%) of the total trade and other receivables were due from the Group's five largest customers.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (continued)

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in notes 23 and 24.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, but the borrowings are subject to approval by the parent company's management. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2010 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade payables	4,001,783	-	-	-	4,001,783	4,001,783
Other payables and accruals	4,615,129	-	-	-	4,615,129	4,615,129
Amounts due to related parties	366,946	-	-	-	366,946	366,946
Bank loans and other borrowings	3,819,022	2,880,580	8,888,083	90,827	15,678,512	14,142,909
Long term payables	13,051	14,626	31,036	31,938	90,651	78,100
Obligations under finance leases	66,749	64,055	61,360	-	192,164	177,676
	12,882,680	2,959,261	8,980,479	122,765	24,945,185	23,382,543

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Group

	2009					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade payables	4,274,803	–	–	–	4,274,803	4,274,803
Other payables and accruals	2,969,563	–	–	–	2,969,563	2,969,563
Amounts due to related parties	287,003	–	–	–	287,003	287,003
Bank loans and other borrowings	4,557,421	1,523,174	3,695,245	756,926	10,532,766	9,576,902
Long term payables	18,690	20,964	34,073	28,808	102,535	88,197
	12,107,480	1,544,138	3,729,318	785,734	18,166,670	17,196,468

The Company

	2010					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade payables	1,128,827	-	-	-	1,128,827	1,128,827
Other payables and accruals	266,896	-	-	-	266,896	266,896
Amounts due to subsidiaries	9,524,244	-	-	-	9,524,244	9,524,244
Amounts due to related parties	105,161	-	-	-	105,161	105,161
Bank loans and other borrowings	406,452	92,154	886,436	-	1,385,042	1,190,000
	11,431,580	92,154	886,436	-	12,410,170	12,215,128

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Company

	2009 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade payables	2,038,444	-	-	-	2,038,444	2,038,444
Other payables and accruals	227,011	-	-	-	227,011	227,011
Amounts due to subsidiaries	8,885,953	-	-	-	8,885,953	8,885,953
Amounts due to related parties	99,454	-	-	-	99,454	99,454
Bank loans and other borrowings	1,015,708	140,514	154,027	675,815	1,986,064	1,760,000
	12,266,570	140,514	154,027	675,815	13,236,926	13,010,862

As shown in the above analysis, bank loans and other borrowings of the Group and the Company amounting to RMB3,819,022,000 and RMB406,452,000 respectively were due to be repaid during 2011.

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(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value risk respectively. The interest rates and terms of repayment of the Group's and the Company's borrowings are disclosed in notes 31 and 32. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings at the balance sheet date.

	The Group				The Company			
	2010		2009		2010		2009	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Net fixed rate borrowings:								
Bank loans	4.37%-5%	1,830,000	2.23%-4.78%	1,045,720	4.78%-5%	250,000	4.78%	210,000
Other borrowings	4.69%-5.32%	5,750,000	2.46%-5.32%	1,910,000	4.83%-5.32%	690,000	2.46%-5.32%	850,000
Less: Loans and receivables	5.31%-7.56%	(327,174)	5.31%-7.56%	(329,527)		-		-
		7,252,826		2,626,193		940,000		1,060,000
Variable rate borrowings:								
Bank loans	4.86%-6.32%	6,512,000	4.82%-6.80%	6,563,000	4.86%-5.32%	250,000	4.86%	700,000
Other borrowings	2.55%	50,909	4.44%	58,182		-		-
		6,562,909		6,621,182		250,000		700,000
Total net borrowings		13,815,735		9,247,375		1,190,000		1,760,000
Net fixed rate borrowings as a percentage of total net borrowings		52%		28%		79%		60%

The interest rate of the variable rate borrowings of the Group and the Company is based on the base rate announced by the People's Bank of China.

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB22,540,000 (2009: RMB23,974,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2009.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars and Euros. The Group manages this risk as follows:

(i) Forecast transaction

At 31 December 2010, the Group had forward exchange contracts hedging forecast transactions with a fair value of RMB1,753,000 (2009: nil), recognised as derivative financial instruments.

(ii) Recognised assets and liabilities

In respect of trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(iii) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

The Group

	Exposure to foreign currencies (expressed in RMB'000)			
	2010		2009	
	Euro	**USD**	Euro	USD
Trade receivables	**–**	**25,468**	–	49,278
Cash and cash equivalents	**66,817**	**78,085**	–	14,305
Current interest-bearing borrowings	**–**	**–**	–	(65,720)
Other payables and accruals	**–**	**(24,002)**	–	(11,129)
Gross exposure arising from recognised assets and liabilities	**66,817**	**79,551**	–	(13,266)
Notional amounts of forward exchange contracts used as economic hedges	**–**	**(496,703)**	–	–
Net exposure arising from recognised assets and liabilities	**66,817**	**(417,152)**	–	(13,266)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(iv) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

The Group

	2010		2009	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
USD	**1%**	**(3,129)**	1%	(99)
Euro	**1%**	**501**	–	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2009.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities (see note 21).

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk (continued)

The Group and the Company mitigate the risk associated with investments in equity securities by making strategic investment with its disposable fund pursuant to the authorisation of the board of directors, and by limiting the investment to certain listed domestic cement companies with considerable scale, competitive advantage and development potential.

The scale of such investment is controlled under a reasonable cap, and investment strategies are designed collectively by the Group based on securities market conditions and the corporate governance of the targeted companies.

In compliance with PRC laws and regulations and based on the Group's investment strategy, investments in equity securities are classified as available-for-sale securities and securities held for trading, which are then monitored and managed under these classifications respectively.

For investments classified as available-for-sale securities, the Group observes the invested companies' operation and development, and seeks to obtain an understanding of their business management through participation in their shareholder's meetings.

For investments classified as securities held for trading, the Group closely monitors changes in state and local policies, the development of the invested companies' business and changes in the securities market, and thereby seeks to attain capital gain by trading accordingly.

It is estimated that an increase/decrease of 1% (2009: 1%) in the respective quoted share prices of these securities, with all other variables held constant, would have increased/reduced the Group's fair value reserve as follows:

The Group and the Company

	2010		2009	
		Effect on fair value reserve RMB'000		Effect on fair value reserve RMB'000
Change in quoted share price				
Increase	**1%**	**28,160**	1%	17,580
Decrease	**(1%)**	**(28,160)**	(1%)	(17,580)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk (continued)

The sensitivity analysis indicates the instantaneous change in the Group's fair value reserve that would arise assuming that the changes in the respective quoted share prices had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the balance sheet date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant share price, that none of the Group's available-for-sale investments would be considered impaired as a result of the short term fluctuation of the relevant share price, and that all other variables remain constant. The analysis is performed on the same basis for 2009.

(f) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

The Group and the Company

			2010	
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Prepayments and other receivables	–	1,753	–	1,753
Available-for-sale equity securities:				
– Listed	3,754,675	–	–	3,754,675
	3,754,675	1,753	–	3,756,428

			2009	
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale equity securities:				
– Listed	2,041,104	–	–	2,041,104
– Listed with trading restrictions	–	302,888	–	302,888
	2,041,104	302,888	–	2,343,992

Since the release of the trading restriction of the investment in Chaodong Company in July 2010, the fair value of the investment has been measured with reference to quoted market price. As a result, the level of its measurement was changed from level 2 to level 1.

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38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values (continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2010 and 2009 excepted as follows:

	2010		2009	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
The Group:				
Bank loans and other borrowings	**14,142,909**	**13,876,136**	–	–

The carrying amounts of the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2010 and 2009 excepted as follows:

	2010		2009	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
The Company:				
Bank loans and other borrowings	**1,190,000**	**1,163,354**	–	–

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Available-for-sale equity securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs for those investments in unrestricted A shares on the SSE and SZSE as at 31 December 2010.

(ii) Derivatives

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

(iii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iv) Financial guarantees

Financial guarantees were issued by the Company to its subsidiaries for bank loan borrowings. The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. As the interest rate differential on the interest rate of the guaranteed and non-guaranteed bank loans is insignificant, the fair value of the financial guarantees issued was negligible.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(g) Estimation of fair values (continued)

(v) Interest rates used for determining fair value

The entity uses the market rate of long-term loan as of 31 December 2010 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2010	2009
Bank loans and other borrowings	**5.23%~6.40%**	4.78% ~5.35%
Loans and receivables	**5.81%~6.22%**	5.31% ~5.40%

39 COMMITMENTS

(a) Capital commitments outstanding at 31 December not provided for in the financial statements were as follows:

	The Group		**The Company**	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Contracted for	**13,614,304**	4,425,361	**33,612**	47,216
Authorised but not contracted for	**3,287,417**	8,705,135	**–**	–
	16,901,721	13,130,496	**33,612**	47,216

(b) At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		**The Company**	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Within 1 year	**2,179**	2,179	**2,179**	2,179

(c) As disclosed in note 41(b) (vii), the Company is committed to pay trademark licence fee to Conch Holdings at RMB1,513,000 (2009: RMB1,513,000) per annum. The licence agreement does not indicate an expiry date of the agreement.

(Expressed in Renminbi Yuan unless otherwise indicated)

40 CONTINGENT LIABILITIES

At 31 December 2010, the Company has issued guarantees to banks in respect of bank loans of its subsidiaries amounting to RMB5,040,000,000 (2009: RMB5,451,000,000). The directors do not consider it probable that a claim will be made against the Company under any of these guarantees.

At 31 December 2010, outstanding letters of credit issued by the Group amounted to approximately RMB229,169,000 (2009: RMB40,162,000).

41 MATERIAL RELATED PARTY TRANSACTIONS

(a) Related parties information

In addition to the associates and jointly controlled entities of the Group as disclosed in notes 18 and 19 of these financial statements, the directors are of the view that the following entities are related parties of the Group.

Name of related party	Nature of relationship
Conch Holdings 安徽海螺集團有限責任公司	Substantial shareholder of the Company
Conch Venture 安徽海螺創業投資有限責任公司	Shareholder of Conch Holdings and the Company, some directors of the Company are also directors and equity holders of Conch Venture
Dragon Mountain 英德龍山水泥有限責任公司	A director of the Company is also a director of Dragon Mountain
Wuhu International Grand Hotel (“Grand Hotel”) 蕪湖海螺國際大酒店	Subsidiary of Conch Holdings

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

41 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related parties information (continued)

Name of related party	Nature of relationship
Conch Design 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Conch Profiles and Science 蕪湖海螺型材科技股份有限公司	Subsidiary of Conch Holdings
Anhui Conch Information Technology Engineering Co., Ltd. ("Conch Information") 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Design
Yingde Profiles 英德海螺型材有限責任公司	Subsidiary of Conch Profiles and Science
Conch New Materials 蕪湖海螺新材料有限公司	Subsidiary of Conch Profiles and Science
Sanshan Port 蕪湖三山港務有限公司	Subsidiary of Conch Venture
Conch Venture Property 蕪湖海創置業有限責任公司	Subsidiary of Conch Venture
Conch Kawasaki Engineering 安徽海螺川崎工程有限公司	Joint venture of Conch Venture
Conch Kawasaki Energy Conservation 安徽海螺川崎節能設備製造有限公司	Joint venture of Conch Venture

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

41 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year.

(i) Sales of goods

	2010 **RMB'000**	2009 RMB'000
Conch Kawasaki Equipment	**11,079**	14,217
Guiding Conch Panjiang	**16,069**	12,923
Guiyang Conch Panjiang	**13,673**	10,618
Conch Kawasaki Energy Conservation	**2**	10,245
Conch Profiles and Science	**489**	1,022
Conch New Materials	**890**	844
Sanshan Port	**5**	218
Yingde Profiles	**143**	128
Dragon Mountain	**8,154**	–
Zunyi Conch Panjiang	**43**	–
	50,547	50,215

(ii) Purchase of goods

	2010 **RMB'000**	2009 RMB'000
Sanshan Port	**693**	16,003
Conch Profiles and Science	**4,183**	3,453
Yingde Profiles	**2,196**	3,088
Conch New Materials	**2,428**	1,292
Conch Kawasaki Energy Conservation	**6,925**	548
Conch Kawasaki Engineering	**–**	11
Dragon Mountain	**91,743**	–
	108,168	24,395

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

41 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(iii) Purchase of fixed assets

	2010 RMB'000	2009 RMB'000
Conch Kawasaki Engineering	**567,083**	341,856
Conch Kawasaki Energy Conservation	**319,658**	311,111
Conch Kawasaki Equipment	**232,486**	54,692
	1,119,227	707,659

(iv) Provision of services

	2010 RMB'000	2009 RMB'000
Conch Profiles and Science	**395**	5,982
Conch Kawasaki Engineering	**1,176**	4,314
Conch Kawasaki Equipment	**4,407**	1,840
Conch Kawasaki Energy Conservation	**67**	923
Guiding Conch Panjiang	**1,385**	51
Guiyang Conch Panjiang	**1,347**	51
King Bridge Cement	**216**	–
Dragon Mountain	**8,719**	–
	17,712	13,161

(v) Receiving services

	2010 RMB'000	2009 RMB'000
Conch Design	**31,156**	23,066
Conch Information	**5,680**	8,880
Conch Venture	**5,876**	2,560
Sanshan Port	**878**	777
Grand Hotel	**–**	675
Yingde Profiles	**100**	100
	43,690	36,058

41 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(vi) Purchase of machinery through the Group

	2010 **RMB'000**	2009 RMB'000
Guiding Conch Panjiang	**13,507**	38,397
Guiyang Conch Panjiang	**34,559**	15,465
Zunyi Conch Panjiang	**37,717**	–
	85,783	53,862

(vii) Transactions with Conch Holdings

	2010 **RMB'000**	2009 RMB'000
Trademark licence fees payable (note (a))	**1,513**	1,513
Composite service fees payable (note (b))	**2,548**	2,210
Loan guarantees obtained (note (c))	**2,552,000**	1,632,000
Finance lease guarantees obtained (note (c))	**176,000**	–
Loans obtained (note (d))	**4,820,000**	600,000
Loans repaid (note (d))	**520,000**	–
Interest on loans (note (d))	**222,832**	8,559
Purchase consideration for acquisition of non-controlling interests (note 37(d)(ii))	**86,474**	–

Notes:

(a) The Company has entered into a trademark licence agreement with Conch Holdings, pursuant to which Conch Holdings granted the Company exclusive rights to use and apply the Conch trademarks within and outside the PRC in respect of all cement and clinker products of the Group. In return, the Company agreed to pay RMB1,513,000 to Conch Holdings annually. Such licence fees have been charged to the Group since 1 January 1998.

41 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(vii) Transactions with Conch Holdings (continued)

Notes: (continued)

(b) Conch Holdings charged the Company a total amount of RMB2,548,000 (2009: RMB2,210,000) for various services rendered and facilities provided during the year ended 31 December 2010.

(c) Conch Holdings provided guarantees for certain borrowings and finance leases of the Company and its subsidiaries. These guarantees are free of any charges to the Company and its subsidiaries (note 32).

(d) The loans from Conch Holdings bear interest at a fixed rate of 4.69%~4.83% per annum. The loans are unsecured and repayable starting January 2013 (note 30).

The loans repaid to Conch Holdings during 2010 amounted to RMB520,000,000 (2009: nil).

(viii) In October 2009, the Company entered into a joint construction contract with related parties, Conch Venture Property and Grand Hotel, to build Conch Tower in Wuhu City, Anhui Province, the PRC. Pursuant to the contract, the three parties will share interests in the building and leasehold land pertaining to the building proportional to each party's investment, with Conch Venture Property being responsible for managing the process of construction. The total investment amount of the Company is expected to be approximately RMB52,000,000 and the Company will have a share of 20% in the interest of the building and leasehold land.

In 2010, the Company paid a total of approximately RMB18,358,000 to Conch Venture Property for the construction of the building, of which approximately RMB7,724,000, representing prepayments for the construction project, was included in amounts due from related parties (note 26).

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

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

Apart from transactions mentioned in note 41(b), the Group has transactions with other state-controlled entities include but not limited to the following:

– purchases of coal; and

– depositing and borrowing money.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

41 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

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

	2010 RMB'000	2009 RMB'000
Purchase of coal	**2,860,840**	2,231,073
Interest expenses	**631,216**	458,941
Finance leases	**176,000**	–
Cash and cash equivalents	**2,675,602**	3,567,095
Prepayments and other receivables	**89,125**	17,853
Bank loans	**13,142,909**	8,076,902
Obligations under finance leases	**177,676**	–

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2010 RMB'000	2009 RMB'000
Short-term employee benefits	**7,105**	5,852
Post-employment benefits	**129**	128
	7,234	5,980

Total remuneration is included in "staff costs" (see note 6(b)).

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

42 NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 37(b).

(b) The 2008 annual general meeting held on 5 June 2009 approved the issuance of corporate bonds of not more than RMB9,500,000,000. The resolution is effective for 2 years. On 28 March 2011, the board of directors of the Company proposed to extend the effective period for another one year and made certain changes to the issuance arrangements in respect of bond maturity. The above proposal was pending shareholders' approval. Up to the approval date of these financial statements, the application for the issuance of corporate bonds is pending the approval of CSRC.

43 IMMEDIATE AND ULTIMATE CONTROLLING COMPANY

At 31 December 2010, the directors consider the immediate parent and ultimate controlling company of the Group to be Conch Holdings and Anhui Provincial Investment Group Limited respectively, which are both state-owned enterprises established in the PRC. These entities do not produce financial statements available for public use.

44 SOURCES OF ESTIMATION UNCERTAINTY

Note 38 contains information about the assumptions and their risk factors relating to the fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment for non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36, Impairment of Assets. The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, tariff and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, tariffs and amount of operating costs.

(b) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account upgrading and improvement work performed, and anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

44 SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(c) Inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in customer preference and competitor actions in response to industry cycles. Management measures these estimates at each balance sheet date.

(d) Impairment for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of customers to make the required payments. The Group bases the estimates on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(e) Fair value

In determining the fair value of the financial instruments, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

(Expressed in Renminbi Yuan unless otherwise indicated)

45 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, Interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Revised IAS 24, Related party disclosures	1 January 2011
IFRS 9, Financial instruments	1 January 2013
Improvements to IFRSs 2010	1 July 2010 or 1 January 2011
Amendment to IAS 12, Income taxes	1 January 2012

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

(1) Financial statements with the signatures and seals of the legal representative, officer-in-charge of the accounting function and officer-in-charge of the accounting department affixed.

(2) Original of the audited report with the seal of the accounting firm affixed and the signatures and seals of the registered accountants affixed.

(3) Originals of all the documents and the announcements of the Company which were disclosed in newspaper designated by the CSRC during the Reporting Period.

(4) Annual report published on the Stock Exchange.

Anhui Conch Cement Co., Ltd.

28 March 2011

Pursuant to the requirements and provisions of Securities Law and No. 2: "Content and Format of Annual Reports" of "Standards of Contents and Format for Information Disclosure of Companies Which Are Securities Issuers" (as revised in 2007), as the Directors and members of the senior management of Anhui Conch Cement Co., Ltd., upon full understanding and review of the annual report of 2010 and summary of the annual report, we are of the view that:

1. the Company has strictly complied with the financial regulations for a joint stock company in its operation, the annual report for year 2010 and its summary have fairly reflected the financial position and operating results of the Company for the year;

2. the audited financial statements of Anhui Conch Cement Co., Ltd. for year 2010 as audited by KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants are objective, true and fair.

We warrant that the information disclosed in the annual report for year 2010 and its summary is true, accurate and complete, and we undertake that it does not contain misrepresentation, misleading statement or material omissions, and we are severally and jointly responsible for the truthfulness, accuracy and completeness of its contents.

Name	Position	Name	Position
Guo Wenshan	Chairman and executive Director	Kang Woon	Independent non-executive Director
Chan Yuk Tong	Independent non-executive Director	Ding Meicai	Independent non-executive Director
Guo Jingbin	Executive Director	Ji Qinying	Executive Director and general manager
Qi Shengli	Executive Director and deputy general manager	Wu Jianping	Executive Director
Wang Pengfei	Deputy general manager	He Chengfa	Deputy general manager
Zhang Mingjing	Deputy general manager and Company Secretary	Wu Bin	Assistant to general manager
Li Leyi	Deputy chief engineer of technical art		

28 March 2011