

CONCH



2011 ANNUAL REPORT

Anhui Conch Cement Company Limited

(H Share: 00914)

Important

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, the Chairman of the Company, was unable to attend the fifth meeting of the fifth session of the Board in person due to his other business engagement. Mr. Guo Jingbin, an executive Director of the Company, was appointed and authorized by Mr. Guo Wensan to attend the said meeting and exercise the voting rights on his behalf.

Mr. Guo Wensan (Chairman), Mr. Ji Qinying (General Manager) and Mr. Zhou Bo (head of 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
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.
Dazhou Conch	: Dazhou Conch Cement Co., Ltd.
Digang Conch	: Anhui Digang Conch Cement Co., Ltd.
Foshan Conch	: Foshan Conch Cement Co., Ltd.
Guangyuan Conch	: Guangyuan Conch Cement Co., Ltd.
Guangxi Sihe Company	: Guangxi Sihe Industry and Trading Co., Ltd.
Guiyang Conch	: Guiyang Conch Panjiang Cement Co., Ltd.
Conch Venture	: Anhui Conch Venture Investment Co., Ltd.
Conch Venture Property	: Wuhu Conch Venture Property Co., Ltd.
Conch Property	: Wuhu Conch Property Management Co., Ltd.
Conch Kawasaki Engineering	: Anhui Conch Kawasaki Engineering Co., Ltd.

Definitions

Conch Kawasaki Energy Conservation	:	Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd
Conch Kawasaki Equipment	:	Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd.
Conch International	:	Shanghai Conch International Investment and Development Co., Ltd.
Conch Holdings	:	Anhui Conch Holdings Co., Ltd.
Conch Hotel	:	Wuhu Conch International Hotel Co., Ltd.
Conch Design	:	Anhui Conch Construction Materials Design Institute
Conch Profiles	:	Wuhu Conch Profiles and Science Co., Ltd.
Huainan Conch	:	Huainan Conch Cement Co., Ltd.
Jiangmen Conch	:	Jiangmen Conch Cement Co., Ltd.
Jiangdu Haichang Port	:	Jiangdu Haichang Port Industrial Co., Ltd.
Jiangdu Conch	:	Jiangdu Conch Cement Co., Ltd.
Kuiyang Conch	:	Xingye Kuiyang Conch Cement Co., Ltd.
Jianghua Conch	:	Jianghua 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.
Qingxin Cement	:	Guangdong Qingxin Cement Co., Ltd.
Suzhou Conch	:	Suzhou Conch Cement Co., Ltd.

Definitions

Tongling Conch	: Anhui Tongling Conch Cement Co., Ltd.
Wuhu Conch	: Wuhu Conch Cement Co., Ltd.
Wuhu Sanshan Port	: Wuhu Sanshan Conch Port Co., Ltd.
Xing'an Conch	: Xing'an Conch Cement Co., Ltd.
Yangchun Conch	: Yangchun Conch Cement Co., Ltd.
Prosperity Conch	: Prosperity Conch Cement Co., Ltd.
Yunnan Zhuangxiang	: Yunnan Zhuangxiang Cement Co., Ltd.
Zongyang Conch	: Anhui Zongyang Conch Cement Co., Ltd.
Zunyi Conch	: Zunyi Conch Panjiang 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 2011 to 31 December 2011
Stock Exchange	: The Stock Exchange of Hong Kong Limited
HKSE Listing Rules	: The Rules Governing the Listing of Securities on the Stock Exchange
SSE	: Shanghai Stock Exchange
SSE Listing Rules	: The Rules Governing the Listing of Stocks on the SSE
A Shares	: ordinary shares in the capital of the Company listed on the SSE, with a nominal value of RMB1.00 per share, which are subscribed for and traded in RMB

Definitions

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

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1. Basic Corporate Information

- (1) Official Chinese name of the Company** : 安徽海螺水泥股份有限公司
- Official English name of the Company** : ANHUI CONCH CEMENT COMPANY LIMITED
- Abbreviation in English** : ACC
- (2) Legal Representative of the Company** : Guo Wensan
- (3) Secretary to the Board (Company Secretary)** : Yang Kaifa
- Phone number** : 0086 553 8398927
- Fax number** : 0086 553 8398931
- Company secretary (Hong Kong)** : Leo P. Y. Chiu
- Phone number** : 00852 21113220
- Fax number** : 00852 21113299
- Securities Affairs Representative** : Liao Dan
- Phone number** : 0086 553 8398911
- 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

1. Basic Corporate Information

- (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 : 30 June 2011
Place of registration of changes in particulars of the Company : Industrial and Commercial Administration Bureau, Anhui Province
Business license number for legal person : 3400000000000081
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

2. Summary of Accounting Data and Operating Information

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

Items	(Unit: RMB'000)				
	2011	2010	2009	2008	2007
Revenue	48,653,809	34,508,282	24,998,007	24,228,268	18,776,098
Net profit attributable to equity shareholders of the Company (restated)	11,586,382	6,159,643	3,502,098	2,603,385	2,476,308
Total assets (restated)	84,003,416	60,407,154	47,148,498	42,532,123	31,073,509
Total liabilities	37,554,590	25,157,974	18,179,216	17,496,416	19,674,182

Note: Under the Annual Improvements to IFRSs (2010) promulgated by the International Accounting Standards Board (“IASB”), the Group recognized in the financial report prepared according to IFRSs the land valuation surplus from restructure during listing process since 2011, and restated the comparative figures of the “Net profit attributable to equity shareholders of the Company” and “Total assets” from 2007 to 2010 prepared according to IFRSs as stated in the above table.

(2) ACCOUNTING DATA PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS

1. Profit indicators for the Reporting Period

Items	(Unit: RMB'000)
	Amount
Operating profit	14,960,294
Profit before taxation	15,652,193
Net profit attributable to equity shareholders of the Company	11,589,827
Net profit after extraordinary items attributable to equity shareholders of the Company	11,059,571
Net cash flow generated from operating activities	10,491,812

2. Summary of Accounting Data and Operating Information

2. Extraordinary items and amount for the Reporting Period

Extraordinary items	(Unit: RMB'000)		
	2011	2010	2009
(1) Loss on disposal of non-current assets	98,246	(10,351)	(34,043)
(2) Government subsidy	431,750	351,315	182,424
(3) Gain/(Loss) on changes in the fair value of financial assets held for trading and gain on disposal of financial assets held for trading and financial assets available for sale	19,478	1,753	6,381
(4) Gain on investment cost for acquisition of subsidiaries less than the fair value of identifiable net assets	1,035	-	-
(5) Reversal of impairment provision for receivables subject to separate impairment test	-	831	-
(6) Gain/(Loss) on commissioned loans	130,325	-	-
(7) Other non-operating income and expenses other than the above items	11,098	10,807	4,183
(8) Other gains and losses conforming with the definition of non-recurring gains or losses	-	-	10,855
(9) Effect of extraordinary items on income tax	(155,893)	(80,729)	(34,784)
(10) Effect of extraordinary items on minority interests	(5,783)	(4,574)	(4,313)
Total	530,256	269,052	130,703

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

Items	(Unit: RMB'000)			
	2011	2010	Year-on-year change (%)	2009
Revenue	48,653,809	34,508,282	40.99	24,998,007
Profit before taxation	15,652,193	8,078,332	93.76	4,476,543
Net profit attributable to equity shareholders of the Company	11,589,827	6,171,403	87.80	3,544,365
Net profit after extraordinary items attributable to equity shareholders of the Company	11,059,571	5,902,351	87.38	3,413,662
Basic earnings per share (RMB/share) (restated)	2.19	1.16	87.80	0.67
Diluted earnings per share (RMB/share) (restated)	2.19	1.16	87.80	0.67
Basic earnings per share after extraordinary items (RMB/share) (restated)	2.09	1.11	87.38	0.64
Diluted return on net assets (%)	25.85	17.63	Increased by 8.22 percentage points	12.32

2. Summary of Accounting Data and Operating Information

Table 1: (Unit: RMB'000)

Items	2011	2010	Year-on-year	2009
			change (%)	
Weighted average return on net assets (%)	29.10	19.39	Increased by 9.71 percentage points	13.17
Diluted return on net assets after extraordinary items (%)	24.66	16.86	Increased by 7.80 percentage points	11.87
Weighted average return on net assets after extraordinary items (%)	27.77	18.54	Increased by 9.23 percentage points	12.69
Net cash flow generated from operating activities	10,491,812	6,010,307	74.56	7,029,352
Net cash flow per share generated from operating activities (RMB/share) (restated)	1.98	1.13	74.56	1.33

Table 2: (Unit: RMB'000)

Items	As at	As at	Year-on-year	As at
	31 December 2011	31 December 2010	change (%)	31 December 2009
Total assets	84,003,416	60,411,853	39.05	47,148,498
Total equity attributable to equity shareholders of the Company	44,839,509	35,003,281	28.10	28,759,639
Net assets per share attributable to equity shareholders of the Company (RMB/share) (restated)	8.46	6.61	28.10	5.43

Note: Given the implementation of the proposal of capitalization of capital reserve fund by the Group in 2010 and during the Reporting Period respectively, there were changes in the Company's 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" stated in Table 1 and the "Net assets per share attributable to equity shareholders of the Company" stated in Table 2 were restated by the Group, respectively.

2. Summary of Accounting Data and Operating Information

4. 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 2011 (Audited)	1 January to 31 December 2010 (Restated)	As at 31 December 2011 (Audited)	As at 31 December 2010 (Restated)
As reported in the statutory financial statements in accordance with PRC Accounting Standards	11,589,827	6,171,403	44,839,509	35,003,281
- Deferral of subsidy income not subject to "China Accounting Standards for Business Enterprises No.16 - Government Subsidy" in accordance with IFRSs	(3,445)	(11,760)	(382,701)	(374,326)
As reported in accordance with IFRSs	11,586,382	6,159,643	44,456,808	34,628,955

Note: Under the Annual Improvements to IFRSs (2010) promulgated by the International Accounting Standards Board ("IASB"), the Group recognized in the financial report prepared according to IFRSs the land valuation surplus from restructure during listing process since 2011, and restated the relevant figures of the "Net profit attributable to parent company" for the year ended 31 December 2010 and "Equity attributable to parent company" as at 31 December 2010 prepared according to IFRSs as stated in the above table.

3. Changes in Share Capital and Shareholders

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

(Unit: Share)

Class of shares	Before change		Increase/ decrease(+,-) Transfer from capital reserves	After change	
	Number	Percentage (%)		Number	Percentage (%)
I. Shares subject to trading restrictions	0	0	0	0	0
1. State-owned legal person shares	0	0	0	0	0
2. Other domestic shares	0	0	0	0	0
II. Shares not subject to trading restrictions	3,532,868,386	100	+1,766,434,193	5,299,302,579	100
1. RMB-denominated ordinary shares (i.e. A Shares)	2,666,468,386	75.48	+1,333,234,193	3,999,702,579	75.48
2. Overseas-listed foreign shares (i.e. H Shares)	866,400,000	24.52	+433,200,000	1,299,600,000	24.52
III. Total number of shares	3,532,868,386	100	+1,766,434,193	5,299,302,579	100

Notes: During the Reporting Period, the Company implemented the proposal of capitalization of capital reserve fund (on basis of 3,532,868,386 Shares in issue at the end of 2010), pursuant to which all shareholders were issued capitalization shares on the basis of 5 new shares for every existing 10 shares held by them. Upon completion of the capitalization issue, the number of shares of the Company was increased by 1,766,434,193 shares. The total number of shares was increased from 3,532,868,386 shares to 5,299,302,579 shares.

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

- On 9 May 2011, CSRC (by Zheng Jian Xu Ke (証監許可) [2011] No.650 “Reply on examining and approving public issuance of corporate bonds by Anhui Conch Cement Company Limited”) gave approval to the Company for its issue of corporate bonds in an aggregate principal amount of no more than RMB9.5 billion to the public. As of 26 May 2011, the Company completed all the steps for the issuance of such corporate bonds. The total principal amount of the corporate bonds issued is RMB9.5 billion, of which the aggregate principal amount of the bonds issued with a 5-year term and a coupon rate of 5.08% is RMB7 billion, while that of the bonds issued with a 7-year term and a coupon rate of 5.20% amounts to RMB2.5 billion. Net proceeds raised from this issuance, after deduction of related expenses, amounted to RMB9,461.98 million. On 15 June 2011, the corporate bonds of the Company began trading on SSE. The securities abbreviation for the 5-year bonds is “11 Conch 01” with stock code “122068”; while the securities abbreviation for the 7-year bonds is “11 Conch 02” with stock code “122069”.

3. Changes in Share Capital and Shareholders

- In 2011, as approved by the shareholders of the Company at its annual general meeting 2010 held on 31 May 2011, the Company implemented the proposal of capitalization of capital reserve fund (on basis of 3,532,868,386 Shares in issue at the end of 2010) during the Reporting Period, pursuant to which all shareholders were issued capitalization shares on the basis of 5 new shares for every existing 10 shares held by them. The floating A Shares and H Shares (which are not subject to trading restrictions) issued under the capitalization issue became listed on 17 June 2011 on the SSE and the Stock Exchange respectively. Upon completion of the capitalization issue, the number of shares of the Company was increased by 1,766,434,193 shares, of which 1,333,234,193 shares are A Shares and 433,200,000 shares are H Shares. The total number of shares of the Company was increased from 3,532,868,386 shares to 5,299,302,579 shares.

(3) SUMMARY OF TRADING OF THE COMPANY'S SHARES IN 2011

During the Reporting Period, the Company implemented the proposal of capitalization of capital reserve fund, under which all shareholders were issued with 5 new shares for every 10 existing shares held by them. A Shares and H Shares were dealt in on an ex-entitlement basis on 16 June 2011 and 28 April 2011, 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\$	
	cum entitlement	ex-entitlement	cum entitlement	ex-entitlement
Opening price on the first trading day of the year	29.88	19.92	36.45	24.30
Closing price on the last trading day of the year	23.48	15.65	34.58	23.05
Highest trading price during the year	44.22	29.48	61.50	41.00
Lowest trading price during the year	22.02	14.68	26.85	17.90

3. Changes in Share Capital and Shareholders

(4) SHAREHOLDERS

1. As at 31 December 2011, the total number of registered shareholders was 162,443, of which 107 were registered holders of H Shares.
2. As at 31 December 2011, 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	1,918,329,108	36.20	A Share
2	HKSCC Nominees Limited ^(Note 3)	Foreign	1,297,560,881	24.486	H Share
3	Conch Venture ^(Note 4)	Others	286,713,246	5.410	A Share
4	Ping An Trust – Conch Equity Interest	Others	74,425,633	1.404	A Share
5	Shenyin & Wanguo – HSBC – Merrill Lynch International	Others	30,427,311	0.574	A Share
6	China Construction Bank – Hua An Hongli Stock Securities Investment Fund	Others	30,000,000	0.566	A Share
7	The Industrial and Commercial Bank of China – GF Jufeng Stock Securities Investment Fund	Others	30,000,000	0.566	A Share
8	Shanghai Pudong Development Bank – Jiashi High Quality Enterprises Open Stock Investment Fund	Others	25,695,558	0.485	A Share
9	Conch Design	Others	25,388,669	0.479	A Share
10	Morgan Stanley & Co. International Limited	Others	25,181,353	0.475	A Share

Notes:

- (1) All the above shares are floating shares without trading restrictions.
- (2) As at 31 December 2011, a total of 1,918,329,108 A Shares of the Company were held by Conch Holdings, representing (when compared with that at the beginning of the year) an increase of 639,443,036 A Shares, which arose from the capitalization of capital reserve fund of the Company.
- (3) HKSCC Nominees Limited held 1,297,560,881 H Shares, representing 24.486% of the total share capital of the Company, and 99.843% of the total number of H Shares issued by the Company, on behalf of its various clients.
- (4) As at 31 December 2011, a total of 286,713,246 A Shares of the Company were held by Conch Venture, representing (when compared with that at the beginning of the year) an increase of 95,571,082 A Shares, which arose from the capitalization of capital reserve fund of the Company.

3. Changes in Share Capital and Shareholders

- (5) So far as the Board is aware, among the above-mentioned shareholders, Conch Holdings and Conch Venture have connected relationship. Conch Holdings and Conch Design are considered parties acting in concert under Management Methods on Acquisitions by Listed Companies. Save for the aforesaid, the Board is not aware of any connected relationship or acting in concert relationship among the above-mentioned shareholders.
- (6) 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.
- (7) As at 31 December 2011, 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	1,943,717,777 A Shares (long position) (Note a)	Beneficial owner	48.60% (Note b)
Anhui Provincial Investment Group Limited	1,943,717,777 A Shares (long position) (Note a)	Interest of a controlled corporation	48.60% (Note b)
Conch Venture	2,245,782,878 A Shares (long position) (Note a)	Interest of a controlled corporation/ beneficial owner	56.15% (Note b)
JPMorgan Chase & Co.	272,581,580 H Shares (long position) (Note d)	Beneficial owner/ Investment manager/Custodian	20.97% (Note c)
JPMorgan Chase & Co.	20,439,506 H Shares (short position)	Beneficial owner	1.57% (Note c)
Taiwan Cement Corporation	116,568,000 H Shares (long position) (Note e)	Interest of a controlled corporation	8.97% (Note c)
Genesis Asset Managers, LLP	106,224,140 H Shares (long position) (Note f)	Investment manager	8.17% (Note c)
BlackRock, Inc.	97,233,933 H Shares (long position)	Interest of a controlled corporation	7.48% (Note c)
BlackRock, Inc.	11,820,428 H Shares (short position)	Interest of a controlled corporation	0.91% (Note c)
Deutsche Bank Aktiengesellschaft	69,809,545 H Shares (long position) (Note g)	Beneficial owner/ Investment manager/ Person having a security interest in shares	5.37% (Note c)
Deutsche Bank Aktiengesellschaft	59,007,269 H Shares (short position) (Note g)	Investment manager/ Person having a security interest in shares	4.54% (Note c)

3. Changes in Share Capital and Shareholders

Notes:

- (a) Among the 1,943,717,777 A Shares held by Conch Holdings, 1,918,329,108 A Shares were held by Conch Holdings as beneficial owner and 25,388,669 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 2,245,782,878 A Shares held by Conch Venture, 286,713,246 A Shares were held by Conch Venture as beneficial owner; 1,943,717,777 A Shares were held in the name of Conch Holdings and 15,351,855 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 3,999,702,579 shares, all of which were A Shares.
- (c) The total number of H Shares in issue was 1,299,600,000 shares.
- (d) According to the disclosure of equity interests form submitted by JPMorgan Chase & Co. on 13 December 2011 (the date of the relevant event being 12 December 2011), these shares were held through certain subsidiaries of JPMorgan Chase & Co. The 272,581,580 H Shares (long position) were held as to 23,839,904 shares in the capacity of a beneficial owner; 164,760,499 shares in the capacity of investment manager; and 83,981,177 shares (securities in a lending pool) in the capacity of custodian.
- (e) According to the disclosure of equity interests form submitted by Taiwan Cement Corporation on 12 December 2008 (the date of the relevant event being 11 December 2008), 38,856,000 H Shares were held by Taiwan Cement Corporation through certain of its subsidiaries. Assuming that the company has not disposed of any shares, upon implementation of the proposal of capitalization of capital reserve fund by the Company in 2010 and during the Reporting Period, Taiwan Cement Corporation held 116,568,000 H Shares accordingly.
- (f) Based on the notice of disclosure of interests filed by or on behalf of Genesis Asset Managers, LLP on 31 January 2012 (as shown in the Stock Exchange’s website), 106,224,140 H Shares were held by Genesis Asset Managers, LLP in the capacity of an investment manager.
- (g) According to the disclosure of equity interests form submitted by Deutsche Bank Aktiengesellschaft on 2 December 2011 (the date of the relevant event being 30 November 2011), these shares were held through certain subsidiaries of Deutsche Bank Aktiengesellschaft. The 69,809,545 H Shares (long position) were held as to 10,541,946 shares in the capacity of a beneficial owner; 2,461,500 shares in the capacity of an investment manager; and 56,806,099 shares in the capacity of a person having a security interest in the shares. The 59,007,269 H Shares (short position) were held as to 2,297,040 shares in the capacity of a beneficial owner; 56,710,229 shares in the capacity of a person having a security interest in the shares.

Save for the aforesaid shareholders, as at 31 December 2011, 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. Changes in Share Capital and Shareholders

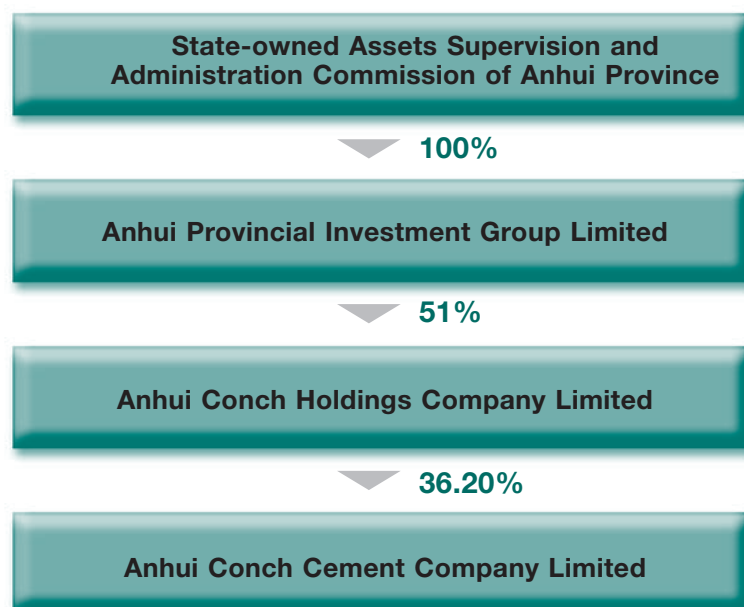
3. Information on the controlling shareholder of the Company

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 2011, the shareholding relationship structure between the Company and Conch Holdings, Anhui Provincial Investment Group and Anhui SASAC is set out as follows:



3. Changes in Share Capital and Shareholders

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 HKSE Listing Rules.

(5) PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2011, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities of the Company.

(6) 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.

(7) TRANSACTIONS IN RESPECT OF ITS OWN SECURITIES

Up to 31 December 2011, the Group had neither issued nor granted any convertible securities, options, warrants or other similar rights. As at 31 December 2011, the Group had no redeemable securities.

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

For the year ended 31 December 2011, 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.

4. Directors, Supervisors, Senior Management and Staff

(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
Zhang Mingjing	Executive Director and deputy general manager	Female	September 1962	31 May 2011 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	-
Wu Bin	Assistant to general manager	Male	January 1965	-
Li Leyi	Deputy chief engineer of technical art	Male	December 1962	-
Zhou Bo	Deputy chief accountant	Male	January 1976	-
Yang Kaifa	Secretary to the Board	Male	February 1974	-
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.

4. Directors, Supervisors, Senior Management and Staff

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	Chairman of Conch Venture (from May 2011 to present)	No
Guo Jingbin	Director and deputy general manager (from January 1997 to present)	Yes	(1) Director of Conch Hotel (from November 2005 to present) (2) Director of Conch Venture (from May 2011 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 December 2011)	No
Wu Jianping	-	-	Director and general manager of Longshan Cement (from May 2004 to present)	Yes

4. Directors, Supervisors, Senior Management and Staff

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

4. Directors, Supervisors, Senior Management and Staff

Name	Position held in Conch Holdings and tenure	Any remuneration and allowances received from Conch Holdings	Position held in other companies and tenure	Any remuneration and allowances received from those companies
He Chengfa	Assistant to general manager (from April 2010 to present)	No	(1) Chairman of Conch Kawasaki Engineering (from December 2006 to present) (2) Chairman of Conch Kawasaki Energy Conservation (from December 2011 to present)	No

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.

4. Directors, Supervisors, Senior Management and Staff

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.

Ms. Zhang Mingjing, an executive Director, deputy general manager of the Company and 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 has extensive experience in capital operation, standard management of listed companies and establishment of internal control system. She is currently the officer-in-charge of the Regional Committee in Shanghai, and the chairman of each of Shanghai Conch Mingzhu Cement Co., Ltd., Taicang Conch Cement Co., Ltd., Shanghai Conch Cement Sales Co., Ltd. and Indonesia Conch Cement Co., Ltd. (印尼海螺水泥有限公司).

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. Mr. Chan 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

4. Directors, Supervisors, Senior Management and Staff

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, 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.), Sinopoly Battery Limited (formerly known as Thunder Sky Battery 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 Institute of Education. 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.

4. Directors, Supervisors, Senior Management and Staff

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 Wuhu 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.

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. Mr. Wu is currently the 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 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. Mr. Li also holds positions including officer-in-charge of the production coordination centre.

Mr. Zhou Bo, deputy chief accountant of the Company, senior economist. Mr. Zhou graduated from Shanghai University and joined the Group in 2000. He held various positions such as the head of finance department of Zongyang Conch, assistant to the head of finance department and the deputy head of finance department of the Company and the deputy officer-in-charge of the Regional Committee in Hunan. He has extensive experience in financial management and internal risk control. Mr. Zhou is currently the head of finance department of the Company.

4. Directors, Supervisors, Senior Management and Staff

Secretary to the Board (Company Secretary)

Mr. Yang Kaifa, secretary to the Board of the Company, senior economist. Mr. Yang graduated from Anhui University and joined the Group in 1996. He was the securities affairs representative, assistant to the officer-in-charge and deputy officer-in-charge of the secretariat to the Board of the Company and the deputy officer-in-charge of the Regional Committee in Jiangxi. He has extensive experience in securities management and capital market. Mr. Yang is currently the officer-in-charge of the secretariat to the Board of the Company.

Mr. Chiu Pak Yue, Leo, the company secretary (Hong Kong) of the Company, 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

As approved at the third meeting of the fifth session of the Board of the Company held on 28 March 2011, Mr. Qi Shengli resigned as an executive Director and deputy general manager, and Ms. Zhang Mingjing was nominated as a candidate of executive Director of the fifth session of the Board; Ms. Zhang Mingjing ceased to be the secretary to the Board, while Mr. Yang Kaifa was appointed in her place. Mr. Zhou Bo was appointed as the deputy chief accountant of the Company. The resignation of Mr. Qi Shengli was effective from 28 March 2011, and the appointments of Mr. Yang Kaifa and Mr. Zhou Bo were effective from 1 April 2011.

At the 2010 annual general meeting held on 31 May 2011, shareholders of the Company approved the appointment of Ms. Zhang Mingjing as an executive Director of the fifth session of the Board, with effect from the date of approval by the general meeting (i.e. 31 May 2011) to the date of expiry of the fifth session of the Board (i.e. 2 June 2013).

(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.

4. Directors, Supervisors, Senior Management and Staff

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 HKSE Listing Rules.

(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 following 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 Ms. Zhang Mingjing (executive Director and deputy general manager). Mr. Wu Jianping (executive Director) received a total remuneration (before tax) of RMB638,921 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 RMB720,328 from the Company.

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.

4. Directors, Supervisors, Senior Management and Staff

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

		(Unit: RMB)
Name	Position	Allowances
Kang Woon	Independent non-executive Director	100,000
Chan Yuk Tong	Independent non-executive Director	100,000
Wang Yanmou	Supervisor	100,000
Total		300,000

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 paid by the Company.

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

		(Unit: RMB)
		Remuneration
Name	Position	for the year
		(before tax) ^(Note 1)
Ji Qinying ^(Note 2)	General manager	987,742
Wang Pengfei	Deputy general manager	1,526,239
He Chengfa	Deputy general manager	1,427,425
Zhang Mingjing	Deputy general manager	1,119,406
Wu Bin	Assistant to general manager	1,081,460
Li Leyi	Deputy chief engineer of technical art	1,052,135
Zhou Bo ^(Note 3)	Deputy chief accountant	1,007,627
Yang Kaifa ^(Note 3)	Secretary to the Board	720,726
Total		8,922,760

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

4. Directors, Supervisors, Senior Management and Staff

2. As Mr. Ji Qinying 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 [2011] No.588 promulgated by Anhui SASAC.
3. The annual remuneration set out in the above table included the remunerations of Mr. Zhou Bo and Mr. Yang Kaifa for holding respective positions in the Company from 1 January 2011.

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” in chapter five of the report.

(6) HIGHEST PAID INDIVIDUALS

During the Reporting Period, details of remuneration of the five highest paid individuals of the Group are as follows:

(Unit: RMB)

Name	Basic salary	Bonus	Pension insurance	Other insurances and housing provident fund	Total remunerations
Wang Pengfei	150,704	1,339,082	19,202	17,251	1,526,239
He Chengfa	142,799	1,248,173	19,202	17,251	1,427,425
Zhang Mingjing	137,576	945,377	19,202	17,251	1,119,406
Xi He	178,694	883,838	19,202	17,251	1,098,985
Wu Bin	130,399	914,608	19,202	17,251	1,081,460

Note: The basic salary, bonus, pension insurance, other insurance and housing provident fund and remunerations set out in the table above are all before tax.

4. Directors, Supervisors, Senior Management and Staff

(7) EMPLOYEES

As at 31 December 2011, there were 42,876 staff members under the employment of the Group, of which 32,736 were production staff members, 1,373 were sales staff members, 6,632 were technical staff members, 693 were finance staff members, 1,442 were administrative and management staff members. 15,208 of them had secondary and higher education, of which 11,131 received tertiary education or above. The aggregate remuneration of the employees of the Group for the year amounted to RMB1,900.83 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 7(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 2011 amounted to RMB213.59 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. For the year ended 31 December 2011, the total housing welfare fund paid by the Group amounted to approximately RMB95 million.



5. Report on Corporate Governance

(1) CORPORATE GOVERNANCE

Since the listing of the Company on the Stock Exchange and the SSE in 1997 and 2002 respectively, the Company has been continuously improving its corporate governance structure, 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, which is 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 decisions in scientific approach 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.

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

5. Report on Corporate Governance

Internal control is an important component of corporate governance, and the Company has been dedicated to establish and refine its internal control system which is complementary to the corporate governance structure. During the Reporting Period, according to the relevant requirements of “Implementation Guidelines for Enterprise Internal Control” jointly promulgated by the five ministries and committees of the State, including Ministry of Finance and CSRC, the Company fully implemented and achieved the purposes of the regulatory system of internal control in 2011, so as to consolidate and step up the establishment of the internal control system. The Company commenced a series of measure such as the establishment of internal control in trial entities, promotion of the establishment of internal control and self-evaluation of internal control. Currently, the regulatory system of internal control of the Company has been fundamentally established and operated effectively. No major defects were found in the internal control system.

(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 under the SSE Listing Rules and the HKSE Listing Rules.

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 2011, 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 2011, conducted on site visit of the Company’s production sites, participated in the major decisions made by 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 and connected transactions for the year ended 31 December 2011, 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.

5. Report on Corporate Governance

(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 wage management system and production premises, which are completely independent of its controlling shareholder. The senior management of the Company (including its general manager, deputy general managers, secretary of the Board, 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. Report on Corporate Governance

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, by combining the responsibilities and annual division of labour of members of senior management and members of operation team of its subsidiaries, 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 full-scale 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 full-scale appraisal results.

(5) CORPORATE GOVERNANCE

1. Code on Corporate Governance Practices

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

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 HKSE Listing Rules. 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.

5. Report on Corporate Governance

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
Zhang Mingjing	Executive Director and deputy general manager
Wu Jianping	Executive Director

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

During the Reporting Period, two meetings of the Board were held. In addition, voting on resolutions were conducted by means of telecommunication and written resolutions, with a total of 34 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%
Zhang Mingjing	100%	100%
Wu Jianping	100%	100%

Note: Mr. Chan Yuk Tong, an independent non-executive Director, was unable to attend the fourth 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 chapter 8 “Report of the Directors” of the annual report for details of the work performed by the Board, and chapter 7 “Management Discussion and Analysis” of the annual report for details of the work performed by the management.

5. Report on Corporate Governance

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 chapter four “Directors, Supervisors, Senior Management and Staff” in this report.

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 HKSE Listing Rules. The Company concurs with their independence.

5. Report on Corporate Governance

6. Remuneration and nomination of Directors

Pursuant to the HKSE Listing Rules, 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 an “as needed” 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 chapter four “Directors, Supervisors, Senior Management and Staff” in this report.

During the Reporting Period, the Remuneration and Nomination Committee held one meeting. All committee members attended the meeting which was held on 22 March 2011, with the following resolutions considered and approved: (i) remuneration of the senior management of the Company for year 2010; (ii) remuneration appraisal targets of the senior management of the Company for year 2011; (iii) personnel changes in the Company.

The Remuneration and Nomination Committee reviewed the remunerations in respect of the Directors, Supervisors and members of senior management of the Company for year 2011 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 HKSE Listing Rules 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 of the Company, 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.

5. Report on Corporate Governance

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 and qualification criteria of committee members, 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, due to his other business engagement, unable to attend one of the meetings at which the 2011 half-yearly report was proposed for review and approval 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 2011, 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 2010. The Audit Committee reviewed the financial statements prepared by the Company for the year 2010 and agreed to allow the auditors to conduct field audit in the Company for the year 2010.
- (2) On 1 March 2011, upon issue of the preliminary auditors’ report by the auditors, the Audit Committee, after further reviewing the 2010 financial statements by way of telephone conference, considered that the auditors had completed the audit conscientiously within the scheduled time frame.

5. Report on Corporate Governance

- (3) On 22 March 2011, the Audit Committee held a meeting which considered and passed the following resolutions: (i) the financial statements for the year ended 31 December 2010 prepared in accordance with PRC Accounting Standards and IFRS; (ii) the connected transactions which took place in 2010; (iii) the annual report and its summary for year 2010; (iv) the report of internal control for year 2010; (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 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 the Company 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 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 9 August 2011, the Audit Committee held a meeting which considered and approved the following resolutions: (i) the unaudited interim (half-yearly) financial report for year 2011 prepared in accordance with IFRS and PRC Accounting Standards respectively; (ii) the half-yearly report for year 2011 and its summary and the half-yearly results announcement.

Since the commencement of the audit of the financial statements of the Company for the year ended 31 December 2011, 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 2011 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 2011 financial statements and considered that the auditors had completed the audit work conscientiously within the scheduled time frame.

5. Report on Corporate Governance

- (3) On 19 March 2012, the Audit Committee issued a summary report in respect of the audit work for the Company for year 2011 performed by KPMG and made objective assessment on the work conducted by KPMG: during the process of conducting the audit work for the Company for year 2011, 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 2011 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 2010, the Company engaged KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants (collectively “KPMG”) as the PRC auditors and the international auditors of the Company for the year ended 31 December 2011, respectively. The total financial audit and internal control audit services fees payable to KPMG by the Company for the year ended 31 December 2011 amounted to RMB4.85 million. 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 six consecutive years. 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, KPMG has rotated the endorsing accountant.

5. Report on Corporate Governance

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

1. General information about the development of internal control system

Securities of the Company are listed on 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, hence timely discovers the drawback in the Company's critical management sections and effectively eliminates risks.

2. Basis of the establishment of internal control for financial reports

The Company strictly enforces 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. Through risk identification and internal control benchmarking, it perfects a sound accounting audit system, strengthens the enforcement of accounting policies, improves the processes of various businesses management to ensure the financial reports are legal and compliant, true and complete, and effective and useful. During the Reporting Period, the Company amended regulations like Management of Cost Accounting and Management of Promissory Notes of Banks in order to ensure that the process risks of relevant businesses are under control and the internal control is effective.

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

In 2011, the internal control system on financial reporting of the Company operated smoothly and effectively regarding the design and execution and no material defects were identified. In 2012, the Company will continue to improve the internal control system on financial reporting to ensure that financial reports play a major role in the production and operation of the Company.

5. Report on Corporate Governance

Statement of the Board of the Company: The Board assumes full responsibilities towards the sound establishment and effective operation of the internal control. The Company has been operating according to the requirements of relevant laws and regulations. By establishing an effective internal control system, the Company ensures the safety of the company assets, the truthfulness, accuracy and completeness of financial reports and information disclosed and thus establishes a solid corporate image.

(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 HKSE Listing Rules in the preparation of annual report which was 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 was identified by the Company.

② Factory in the Green

③ The Return of Supervisors

④ The Harmonious Conch Zone

① Construction Site of the 12000t/d
Production Line of Tongling Conch





6. Summary of General Meetings

During the Reporting Period, the Company held one general meeting, i.e. annual general meeting for the year 2010, details of which were set out as follows:

On 31 May 2011, the annual general meeting of the Company for the year 2010 was held in the conference room of the Company. Resolutions passed at the general meeting were published in Shanghai Securities Journal on 1 June 2011.



7. Management Discussion and Analysis

MACRO-ENVIRONMENT

In 2011, the PRC government implemented proactive fiscal policy and prudent monetary policy, continued to strengthen and improve macro-control, as well as refining investment structure. During the year, the year-on-year GDP growth rate was 9.2%, down by 1.1 percentage points as compared to the previous year. Fixed asset investments across the country saw a year-on-year growth rate of 23.6%, which was basically in the same level with that for last year. (Source: *National Bureau of Statistics of China*)

In 2011, the production volume of the PRC's cement industry rose by 11.7% when compared to that of last year. The PRC government continued to restrict the approvals for cement projects, and stepped up efforts in the elimination of obsolete cement production capacity, which further reduced investments in the cement industry. Investments in the cement industry for the year recorded a year-on-year decrease of 8.29%, down by 11.48 percentage points in growth rate as compared to the corresponding period of last year. Major enterprises accelerated the merger and restructuring of regional cement enterprises, which further enhanced industry concentration and led to continuous improvement in the supply and demand relationship in the PRC's cement industry. (Source: *Ministry of Industry and Information Technology of the People's Republic of China*)

ANALYSIS OF OPERATIONAL CONDITIONS

Operations

In 2011, the Group proactively responded to changes in the macro-business environment and captured the opportunities arising at the stage of growing demand in cement market. The Group also strengthened market coordination, increased product prices, and rationalized its channels for procurement of raw materials. By controlling its operating costs and improving the internal control management, the operating attributes of the Company continued to enhance.

During the Reporting Period, in accordance with the PRC Accounting Standards, the Group's revenue arising from its principal activities amounted to RMB48,147 million, representing an increase of 41.46% over that in the same period of last year; its net profit attributable to equity shareholders of the Company amounted to RMB11,590 million, representing an increase of 87.8% over that in the same period of last year; and earnings per share amounted to RMB2.19. In accordance with IFRSs, the revenue amounted to RMB48,654 million, representing an increase of 40.99% over that in the same period of last year; its net profit attributable to equity shareholders of the Company amounted to RMB11,586 million, representing an increase of 88.1% over that in the same period of last year (restated); and earnings per share amounted to RMB2.19.

During the Reporting Period, the Group pursued its project development at a steady pace and accelerated merger, acquisition and restructuring of cement projects. All the above resulted in additional clinker production capacity of 33.6 million tonnes and additional cement production capacity of 31 million tonnes. As at the end of 2011, the Group's clinker production capacity and

7. Management Discussion and Analysis

cement production capacity amounted to 164 million tonnes and 180 million tonnes, respectively. In 2011, the Group produced an aggregate of 137 million tonnes of clinker and 130 million tonnes of cement, representing a year-on-year increase of 19% and 17% respectively.

Meanwhile, the Group continued to promote the development of the energy conservation and environmental protection in cement projects. During the year, residual heat electricity generation units located at Pingliang Conch were put into operation with an additional residual heat electricity generating capacity of 116MW and combined residual heat generated electricity of approximately 4.3 billion kwh. For the year ended 2011, the Group had in total 54 residual heat electricity generation units with a total electricity generating capacity of 739MW.

In 2011, the Group proactively pursued the implementation of international strategies. It commenced the preparation of the investment in cement projects in Indonesia. The Group also evaluated extension of supply chain. The aggregate project in Chizhou Conch was put into operation.

Sales Market Overview

In 2011, the Group continued to achieve a steady growth in both sales volume and sales revenue with an aggregate net sales volume of cement and clinker reaching 158 million tonnes, representing a year-on-year growth of 15.22%.

Markets and Sales by Region

Region	Sales Amount by Region					
	2011		2010		Increase/ (decrease) in sales amount (%)	Change in sales proportion (percentage points)
	Sales amount (RMB'000)	Percentage (%)	Sales amount (RMB'000)	Percentage (%)		
East China ^{Note 1}	18,917,290	39.29	13,015,389	38.24	45.35	1.05
Central China ^{Note 2}	15,167,366	31.50	10,072,893	29.59	50.58	1.91
South China ^{Note 3}	8,828,901	18.34	7,734,749	22.73	14.15	(4.39)
West China ^{Note 4}	4,239,463	8.81	1,526,353	4.48	177.75	4.33
Export	993,837	2.06	1,686,898	4.96	(41.08)	(2.90)
Total	48,146,857	100	34,036,282	100	41.46	-

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

7. Management Discussion and Analysis

Markets in East China and Central China were relatively stable, and the competition between cement enterprises was orderly while the selling prices of products remained high. In 2011, the Group's sales volume in East China accounted for 36.22% of the Group's total sales volume and rose by 11.78% on a year-on-year basis. Sales amount in East China rose by 45.35% on a year-on-year basis. The Group's sales volume in Central China accounted for 29.56% of the Group's total sales volume and rose by 11.78% on a year-on-year basis. Sales amount in this region rose by 50.58% on a year-on-year basis.

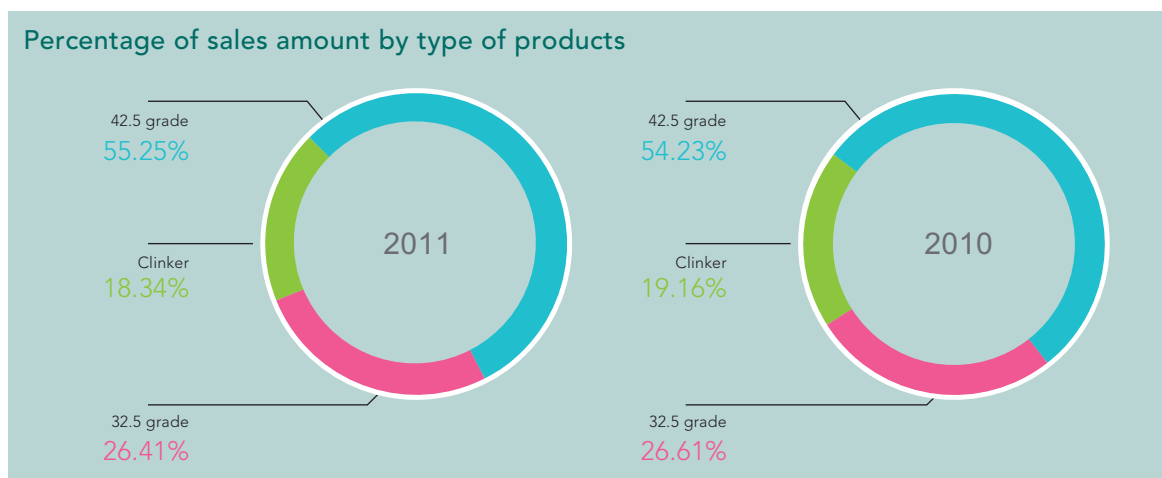
Market in South China remained stable with an increase in both the sales volume and selling prices. In 2011, the Group's sales volume in South China accounted for 19.61% of the Group's total sales volume and rose by 7.72% on a year-on-year basis. Sales amount in this region rose by 14.15% on a year-on-year basis.

The growth in the investment in fixed assets in West China was relatively fast and the demand for products was relatively strong. As a result of the increase in the production capacity, the product prices, however, decreased as compared to last year. In 2011, the Group's newly-built projects in West China were gradually completed and commenced production, while the Company acquired cement projects in the region such as Yunnan Zhuangxiang, resulting in a significant year-on-year increase of 170.34% in sales volume and a year-on-year increase of 177.75% in sales amount.

As the demand in the international cement market decreased in 2011, the Group's total export volume during the year dropped by 52.97% on a year-on-year basis. Sales amount dropped by 41.08% on a year-on-year basis.

SALES BY TYPE OF PRODUCTS

During the Reporting Period, the sales portfolio of the Group's 32.5 grade cement, 42.5 grade cement and clinker products remained steady and was basically consistent with that of last year.



7. Management Discussion and Analysis

PROFIT ANALYSIS

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

Item	Amount		Change from that of the previous year (%)
	2011 (RMB'000)	2010 (RMB'000)	
Revenue from principal activities	48,146,857	34,036,282	41.46
Profit from operations	14,960,294	7,615,883	96.44
Profit before taxation	15,652,193	8,078,332	93.76
Net profit attributable to equity shareholders of the Company	11,589,827	6,171,403	87.80

During the Reporting Period, driven by increasing sales volume of products and rising selling prices, the Group's revenue from principal activities increased by 41.46% on a year-on-year basis, and its profit from operations amounted to RMB14,960.29 million, representing a year-on-year increase of 96.44%; its net profit attributable to equity shareholders of the Company increased by 87.80% to RMB11,589.83 million on a year-on-year basis.

Gross profit by type of products in 2011 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	26,600,227	16,093,391	39.50	31.71	7.79
32.5 grade cement	12,714,446	7,048,574	44.56	38.45	6.11
Clinker	8,832,184	5,691,580	35.56	26.07	9.49
Total	48,146,857	28,833,545	40.11	32.42	7.69

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

7. Management Discussion and Analysis

In 2011, driven by rising selling prices, profitability of products increased remarkably. Gross profit of cement and clinker showed different extents of increase. Consolidated gross profit margin amounted to 40.11%, representing an increase of 7.69 percentage points over that of last year.

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

Expenses for the period	2011 amount (RMB'000)	2010 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	1,859,205	1,546,451	3.86	4.54	(0.68)
Administrative expenses	1,789,413	1,254,146	3.71	3.68	0.03
Financial expenses (net)	629,089	480,986	1.31	1.42	(0.11)
Total	4,277,707	3,281,583	8.88	9.64	(0.76)

During the Reporting Period, the Group continued to strengthen the control and management in expenditure. The Group's selling, administrative and financial expenses in aggregate as a percentage of revenue from principal activities continued in a downward trend to decrease to 8.88%, dropped by 0.76 percentage points as compared to the corresponding period of last year.

7. Management Discussion and Analysis

FINANCIAL POSITION

Assets and Liabilities Structure

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

Item	As at 31 December 2011 (RMB'000)	As at 31 December 2010 (RMB'000)	Change as at the end of the Reporting Period to those as at the beginning of the year (%)
Fixed assets	43,034,948	32,751,828	31.40
Current and other assets	40,968,468	27,660,025	48.11
Total assets	84,003,416	60,411,853	39.05
Current liabilities	16,991,329	13,077,027	29.93
Non-current liabilities	20,170,372	11,703,004	72.35
Minority interests	2,002,206	628,541	218.55
Shareholders' equity attributable to equity shareholders of the Company	44,839,509	35,003,281	28.10
Total liabilities and equity	84,003,416	60,411,853	39.05

As at 31 December 2011, the Group's total assets and liabilities prepared in accordance with the PRC Accounting Standards amounted to RMB84,003.42 million and RMB37,161.70 million respectively, representing an increase of 39.05% and 49.97% respectively as compared to those at the end of the previous year, which was mainly due to the Group's issuance of corporate



7. Management Discussion and Analysis

bonds with principal amounts of RMB9.5 billion. As at 31 December 2011, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 44.24%, representing an increase of 3.22 percentage points as compared to that at the end of the previous year. The Group maintained a relatively sound financial structure.

As at 31 December 2011, shareholders' equity attributable to equity shareholders of the Company amounted to RMB44,839.51 million, representing a growth of 28.10% as compared with that at the end of the previous year.

As at 31 December 2011, the total current assets and total current liabilities of the Group prepared in accordance with the PRC Accounting Standards amounted to RMB25,849.94 million and RMB16,991.33 million respectively, with a current ratio of 1.52:1 (corresponding period last year: 1.01:1). The total current assets and total current liabilities of the Group prepared in accordance with the IFRSs amounted to RMB26,219.95 million and RMB16,991.33 million respectively, with a net gearing ratio of 0.32 (corresponding period last year: 0.33).

Liquidity and Source of Funds

Maturity analysis of bank loans and other borrowings of the Group as at 31 December 2011 is as follows:

	As at 31 December 2011 (RMB'000)	As at 31 December 2010 (RMB'000)
Due within 1 year	3,197,073	3,171,523
Due after 1 year but within 2 years	5,192,272	2,387,773
Due after 2 years but within 5 years	4,553,568	8,499,068
Due after 5 years	27,273	84,545
Total	12,970,186	14,142,909

As at 31 December 2011, the Group's borrowings due after 1 year but within 2 years amounted to RMB5,192.27 million, representing an increase of RMB2,804.50 million as compared to those at the beginning of the year. The increase was mainly attributable to the change from the category in respect of the Group's borrowings of three-year medium-term notes from Conch Holdings, the controlling shareholder, in 2010 to the category of loans due after 1 year but within 2 years.

7. Management Discussion and Analysis

Analysis of Cash Flow

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

	2011 (RMB'000)	2010 (RMB'000)
Net cash flows generated from operating activities	10,491,812	6,010,307
Net cash flows generated from investment activities	(10,162,257)	(10,341,206)
Net cash flows generated from financing activities	4,728,484	3,447,171
Net increase/(decrease) in cash and cash equivalents	5,058,039	(883,728)
Balance of cash and cash equivalents at the beginning of the year	2,689,149	3,572,877
Balance of cash and cash equivalents at the end of the year	7,747,188	2,689,149

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB10,491.81 million, representing an increase of RMB4,481.5 million as compared to last year. Such increase was mainly attributable to the significant rise of the Group's revenue due to the increase in both sales volume and selling prices of the Group's products.

During the Reporting Period, the Group's net cash outflows generated from investment activities decreased by RMB178.95 million as compared to last year. There was no major change compared to last year.

During the Reporting Period, the Group's net cash inflows generated from financing activities increased by RMB1,281.31 million as compared to last year, primarily as a result of the Group's successful issuance of corporate bonds with aggregate principal amounts of RMB9.5 billion during the Reporting Period.

Capital Expenditure

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB9.091 billion, which was primarily used in the investment in construction of cement and clinker production lines and the residual heat electricity generation projects as well as the expenditure in merger and acquisition projects.

7. Management Discussion and Analysis

As at 31 December 2011, capital commitments in respect of the purchase of machinery and equipment for production that were committed but have not been provided for in the accounts are set out as follows:

	As at 31 December 2011 (RMB'000)	As at 31 December 2010 (RMB'000)
Authorized and contracted for	2,805,495	13,614,304
Authorized but not contracted for	8,222,401	3,287,417
Total	11,027,896	16,901,721

Items measured by fair value

In accordance with the relevant requirements of the China Accounting Standards for Business Enterprises, the Group recognises the fair value of the forward exchange contract for the purpose of hedging as financial assets held for trading, 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 note 2(9) and note 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 (2) under note 10 to the financial statements prepared in accordance with the PRC Accounting Standards. During the Reporting Period, there was no major change in the measurement of the major assets of the Group.

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					
1. Financial assets at fair value through profit or loss	-	(14,541)	-	-	75,896
2. Derivative financial assets	1,753	(347)	-	-	1,406
3. Available-for-sale financial assets	3,754,675	-	(908,810)	-	3,578,852
Financial assets sub-total	3,756,428	(14,888)	(908,810)	-	3,656,154

7. Management Discussion and Analysis

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	(347)	-	-	1,406
Of which: Derivative financial assets	1,753	(347)	-	-	1,406
2. Loans and receivables	25,468	-	-	-	23,611
3. Available-for-sale financial assets	-	-	-	-	-
4. Investment held to maturity	-	-	-	-	-
Financial assets sub-total	27,221	(347)	-	-	25,017
Financial liabilities					
Of which: 1. Financial liabilities carried at amortised cost	24,002	-	-	-	18,189
Financial liabilities sub-total	24,002	-	-	-	18,189

Note: During the Reporting Period, the assets denominated in foreign currency held by the Group were mainly US Dollar-denominated, Euro-denominated and Rupiah-denominated assets which included receivables and bank deposits, equivalent to RMB23.61 million and RMB64.58 million respectively; the Group's financial liabilities denominated in foreign currency were mainly US Dollar-denominated liabilities which included advance from customers, equivalent to RMB18.19 million (please refer to note 10(4) to the financial statements prepared in accordance with the PRC Accounting Standards for details). The foreign currency transactions conducted during the Reporting Period were translated at the 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).



7. Management Discussion and Analysis

PROSPECT FOR 2012

In 2012, the PRC government will continue to adopt a proactive fiscal policy and prudent monetary policy in an attempt to maintain the sustainability and stability of the macro-economic policy. It will also step up its efforts in the transformation of its approach in development and refining of economic structure to achieve stable yet rapid economic growth. A year-on-year GDP growth rate of 7.5% is anticipated. Fixed asset investments across the country is expected to attain a year-on-year growth of 16%.

(Source: “2012 Government Work Report”/National Development and Reform Commission)

In 2012, the cement industry will face various unfavourable factors, such as slowdown in investment growth, regulation of the real estate sector and surge in prices of energy, yet there will also be opportunities arising from the speeding up of the construction of affordable housing by the State, the boost of the construction of water resources infrastructure and the resumption of railways and other infrastructure construction. In addition, with the further decline of fixed asset investments in the cement industry, new production capacity will continue to reduce and consolidation of the industry will become more rapid, which will in turn facilitate the improvement in concentration of the industry as well as its supply and demand.

The Group is determined to capture every opportunity in this period of economic structural adjustment. The Group will be more proactive in merger and acquisition projects, perfecting domestic market layout and proceed with overseas cement projects in countries such as Indonesia to facilitate the Company’s international strategy, in order to achieve a sustainable and steady growth.

In 2012, the Group’s planned capital expenditure amounts to approximately RMB8 billion (excluding merger and acquisition expenditure), which will be funded primarily by internal capital and supplemented by bank loans and utilized to complete the construction of the new cement and clinker production lines and its ancillary residual heat electricity generation projects of Suzhou Conch and Jianghua Conch. It is expected that the clinker and cement production capacity will increase by approximately 16.2 million tonnes and 21.3 million tonnes respectively for the full year.



7. Management Discussion and Analysis

Meanwhile, the Group will monitor and assess the market more closely and maximize its regional market organization so as to enhance its market share. The Company will take advantage of the bulk procurement in order to lower the procurement costs of raw materials and fuel. Adhering itself to energy conservation and emission reduction, the Group aims at reducing cost and enhancing efficiency. Also, the Group will strengthen internal management and deepen the establishment of internal control by perfecting the internal control system of the Company. Furthermore, the Company will continue to promote system reform, perfect the remuneration management system and incentive scheme to improve the corporate competitiveness on an on-going basis and facilitate sustainable development of the Company.

2012 is a vital year of transition for the Company in respect of the “12th Five Year” Development Plan. We will stand up to any challenge and move forward with determination, 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.

8. Report of the Directors

(1) PRINCIPAL ACTIVITIES

As the cement industry leader in the PRC, the Group has been persistent on focusing 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 awarded an honor in 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 6 January 2011, the Board considered and approved the resolution in respect of the further appropriation of idle fund-raising proceeds in the sum of RMB300 million to supplement the Group’s working capital (for a term of no more than 6 months). The announcement of the Board resolution was published in Shanghai Securities Journal on 7 January 2011.
2. On 23 March 2011, the Board considered and approved the connected transaction in respect of the coal transit service between the Company and Jiangdu Haichang Port with the total transaction amount not exceeding RMB50 million; and considered and approved the connected transactions in respect of the purchase of diesel between each of Digang Conch and Wuhu Conch, both being subsidiaries of the Company; and between each of Baimashan Cement Plant and Wuhu Sanshan Port, both being branches of the Company, with the total transaction amount not exceeding RMB80 million.
3. On 28 March 2011, the Board considered and approved the resolutions in respect of the Company’s annual report for year 2010, operating plans and financial budget targets for year 2011. The announcement of the Board resolution was published in Shanghai Securities Journal on 29 March 2011.
4. On 31 March 2011, the Board considered and approved the resolution in respect of the borrowings of the Company from Conch Holdings, the controlling shareholder, in the sum of no more than RMB2.0 billion. The announcement of the Board resolution was published in Shanghai Securities Journal on 1 April 2011.

8. Report of the Directors

5. On 12 April 2011, the Board considered and approved the resolution in respect of the entrustment of working capital of RMB0.8 billion to financial management.
6. On 18 April 2011, the Board considered and approved the first quarterly report for year 2011.
7. On 27 April 2011, the Board considered and approved the connected transaction between Jiangmen Conch, Foshan Conch, all being subsidiaries of the Company, and Longshan Cement in respect of procurement of cement and clinker from Longshan Cement; and the connected transaction between Prosperity Conch and Longshan Cement in respect of procurement of spare parts and production ancillary materials from each other. The announcement of the Board resolution was published in Shanghai Securities Journal on 28 April 2011.
8. On 21 May 2011, the Board considered and approved the resolution in respect of the acquisition of an aggregate of 100% equity interest of Yunnan Zhuangxiang by the Company and Longling Huihe.
9. On 2 June 2011, 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 sale and 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 3 June 2011.
10. On 10 June 2011, the Board considered and approved the resolutions in respect of cash injection into Conch Kawasaki Equipment by the Company and Kawasaki Heavy Industries Ltd. in proportion to their respective original shareholding. The total capital increase was RMB200 million.
11. On 14 June 2011, the Board considered and approved the resolutions in respect of the entrustment of working capital of RMB4.0 billion to financial management. The announcement of the Board resolution was published in Shanghai Securities Journal on 15 June 2011.
12. On 15 June 2011, the Board considered and approved the resolution in respect of the establishment of Baoshan Conch Cement Co., Ltd.
13. On 20 June 2011, the Board considered and approved the profit resolution that as a result of the implementation of capitalization of capital reserve fund, the registered capital of the Company increased, and the terms in the Articles were amended accordingly.

8. Report of the Directors

14. On 21 June 2011, the Board considered and approved the resolution in respect of the investment of not more than RMB300 million for buying shares of listed cement companies such as Fujian Cement.
15. On 10 August 2011, the Board considered and approved the resolution in respect of the investment in cement project in Indonesia.
16. On 11 August 2011, the Board considered and approved the resolution in respect of agreeing to mortgage the relevant piece of land (state-owned land use right certificate number is Wu Guo Yong (2006) No. 06070502014) of Baimashan Cement Plant (branch of the Company) to International Finance Corporation (“IFC”) as the replacement of part of the mortgaged land regarding the RMB loan of the Company to IFC.
17. On 15 August 2011, the Board considered and approved the half yearly report for year 2011 and the resolution in respect of changes in international accounting policies. The announcement of the Board resolution was published in Shanghai Securities Journal on 16 August 2011.
18. On 24 August 2011, the Board considered and approved the resolution in respect of the appointment of KPMG Huazhen Certified Public Accountants as the internal control auditor of the Company for the year 2011 and the remuneration of the KPMG Certified Public Accountants and KPMG Huazhen Certified Public Accountants for financial and internal control audit in the year 2011.
19. On 26 August 2011, the Board considered and approved the resolution in respect of the acquisition of the relevant equity interest in Guangxi Sihe Company and the equity interest in the relevant companies of Shaanxi Zhongxi Cement (Group) Co., Ltd. (陝西眾喜水泥(集團)有限公司) and its cement assets. The announcement of the Board resolution was published in Shanghai Securities Journal on 27 August 2011.
20. On 1 September 2011, the Board considered and approved the resolution in respect of the establishment of Baoji Conch Cement Co., Ltd. (寶雞海螺水泥有限責任公司).
21. On 6 September 2011, the Board considered and approved the resolution in respect of the investment of not more than RMB1.0 billion for buying shares of Jidong Cement.
22. On 8 September 2011, the Board considered and approved the resolution in respect of the joint investment of the Company and Siam Cement Group (泰國暹羅水泥集團有限公司) to establish Anhui Conch Siam Refractory Materials Co., Ltd. (安徽海螺暹羅耐火材料有限公司).

8. Report of the Directors

23. On 20 September 2011, the Board considered and approved the resolution in respect of the investment of the Company and Guizhou Panjiang Investments Holding Co., Ltd. (貴州盤江投資控股公司) to establish Conch Panjiang Cement Co., Ltd. (銅仁海螺盤江水泥有限責任公司).
24. On 25 October 2011, the Board considered and approved the third quarterly report for year 2011.
25. On 26 October 2011, the Board considered and approved the resolution in respect of increasing the Company's shareholding in Guizhou Liukuang Shui On Cement Co., Ltd. (貴州六礦瑞安水泥有限公司) by way of capital increase.
26. On 17 November 2011, the Board considered and approved the resolution in respect of the establishment of Liangping Conch Cement Co., Ltd.
27. On 29 November 2011, the Board considered and approved the resolution in respect of the acquisition of an aggregate of 100% equity interest of Qianxinanzhou Resources Development Co., Ltd. (黔西南州發展資源開發有限公司) by the Company and Guizhou Panjiang Investments Holding (Group) Co., Ltd. (貴州盤江投資控股(集團)有限公司).

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 2010

On 31 May 2011, the resolution of the profit appropriation proposal for the year 2010 was passed at the annual general meeting for year 2010. Based on the total number of issued shares of the Company of 3,532,868,386 shares, the Company has paid a cash dividend of RMB3 (tax inclusive) for every 10 shares to all the shareholders. After deducting tax, a cash dividend of RMB2.70 was paid for every 10 shares and the total amount of cash dividend of RMB1,059,860,515.80 (tax inclusive) was paid; and five shares were issued for every ten shares by way of capitalization of the capital reserve fund (share premium). As at 22 June 2011, 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.

8. Report of the Directors

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

In the annual general meeting for the year 2010, the Company has approved the appointment of KPMG Certified Public Accountants and KPMG Huazhen Certified Public Accountants (hereinafter referred to as “KPMG”) as the Hong Kong auditor and PRC auditor of the Company for the financial audit for the year 2011, and authorized the Board to determine auditor’s remunerations. Meanwhile, according to the requirements of the five ministries and committees of the State, including Ministry of Finance and CSRC, Conch Cement, as a company listed both within and outside Mainland China, the Company is required to appoint an auditor to audit the Company’s internal control for the year 2011. Taking into various considerations, on 24 August 2011, the Board considered and approved the appointment of KPMG Huazhen Certified Public Accountants as the internal control auditor of the Company for the year 2011 and determined the total remuneration of KPMG for financial and internal control audit in the year 2011 to be RMB4,850,000.

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 not 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. On 31 May 2011, at the annual general meeting for year 2010, the Company approved that the validity period of the resolution regarding the issuance of corporate bonds be extended to 5 June 2012. Please refer to “(3) Issuance and Listing of Securities for the Preceding Three Years” in chapter three “Changes in Share Capital and Shareholders” in this report for the specific details of the insurance of corporate bonds.



8. Report of the Directors

(3) PRINCIPAL INVESTMENTS DURING THE REPORTING PERIOD

1. Use of fund-raising proceeds from public offer of additional shares in 2008 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 2011, the accumulated proceeds used by the Company amounted to RMB11,187.41 million; whereas the accrued interests and the remaining proceeds amounted to RMB105.96 million and RMB200.61 million respectively. During the Reporting Period, use of fund-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	Accumulated investment amount of the project	Investment amount of the project during the Reporting Period	Gain from the project during the Reporting Period
1	4x4500t/d cement and clinker production lines project of Chizhou Conch	Three in operation One under construction	1,530,180	1,448,020	421,070	275,530
2	4000t/d cement and clinker production line project of Xing'an Conch	In operation	378,360	306,610	18,080	55,360
3	4500t/d cement and clinker production line project (phase two) of Beiliu Conch	In operation	277,220	273,390	8,260	82,190
4	2x18MW residual heat electricity generation projects of Chizhou Conch	One in operation One under construction	262,770	141,860	43,250	68,610
5	18MW residual heat electricity generation project of Zongyang Conch	In operation	132,970	81,490	6,300	66,710
6	11.6MW and 17MW residual heat electricity generation projects of Chizhou Conch	In operation	216,530	187,710	1,970	108,170
7	18MW residual heat electricity generation project of Beiliu Conch	In operation	133,020	93,560	6,870	55,760
Total		-	2,931,050	2,532,640	505,800	712,330

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

8. Report of the Directors

2. Use of fund-raising proceeds from issue of corporate bonds during the Reporting Period

The net proceeds raised from public issue of corporate bonds in 2011 amounted to RMB9,461.98 million. The raised fund will be used for repayment of loans and supplement the Company's liquidity. As at 31 December 2011, the accumulated proceeds used by the Company amounted to RMB9,177.50 million, of which RMB4,427.50 million was used to repay loans, RMB4,750.00 million was used to supplement the Company's liquidity, whereas the accrued interests and the remaining proceeds amounted to RMB12.59 million and RMB297.07 million respectively.

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

(Unit: RMB'000)

Items	Description of the Investment Projects	Progress of the project	Investment amount during the Reporting Period	Gain from the project during the Reporting Period
1	Project of 2X12000t/d clinker production lines (phase three) and 36MW residual heat electricity generation of Wuhu Conch	In partial operation	1,060,200	8,730
2	Project of 12000t/d clinker production line and 18MW residual heat electricity generation of Tongling Conch	In partial operation	589,770	-
3	Project of 4500t/d cement and clinker production line (phase one) and 9MW residual heat electricity generation of Suzhou Conch	Under construction	581,620	-
4	Project of 2500t/d cement and clinker production line and 4.5MW residual heat electricity generation of Longling Huihe	Under construction	482,280	-
5	Project of the 2.20 million tonnes cement grinding and private terminal of Jiangdu Conch	Under construction	408,610	-
6	Project of 5000t/d cement and clinker production line (phase two) and 9MW residual heat electricity generation of Kuiyang Conch	In operation	349,670	14,360

8. Report of the Directors

(Unit: RMB'000)				
	Description of the Investment	Progress of the project	Investment amount during the Reporting Period	Gain from the project during the Reporting Period
Items	Projects			
7	Project of 4500t/d cement and clinker production line (phase two) and 18MW residual heat electricity generation of Guiyang Conch	Under construction	275,430	-
8	Project of 4000t/d new dry-process clinker and cement production line and 9MW pure low temperature residual heat electricity generation of Qiyang Conch	In operation	254,550	13,960
9	4500t/d cement and clinker production line (phase two) and 9MW residual heat electricity generation project of Guangyuan Conch	In operation	250,710	-
10	Project of 2x4500t/d cement and clinker production line and 18MW residual heat electricity generation of Zunyi Conch	Under construction	242,300	-
11	Project of 4500t/d cement and clinker production line (phase one) and 9MW residual heat electricity generation of Jianghua Conch	Under construction	235,070	-
12	4500t/d cement and clinker production line (phase two) and 9MW residual heat electricity generation project of Dazhou Conch	In operation	229,980	15,680
13	4,500t/d cement and clinker production line (phase two) and 9MW residual heat electricity generation project of Pingliang Conch	In operation	207,400	2,110
Total		-	5,167,590	54,840

Note: Project of 12000t/d clinker production line of Tongling Conch and 4500t/d cement and clinker production line (phase two) of Guangyuan Conch commenced production at the end of 2011, and are now under trial operation.

8. Report of the Directors

4. Investment in major project companies during the Reporting Period

(1) *Baoshan Conch Cement Co., Ltd.*

On 27 June 2011, the Company invested and established Baoshan Conch Cement Co., Ltd., which is located in Baoshan City, Yunnan Province, with a registered capital of RMB300 million. The Company owns 100% of its equity interests. The company proposed to establish two 4,500t/d cement and clinker production lines utilizing the new dry-process in phases and an ancillary cement grinding system and residual heat electricity generation unit.

(2) *Anhui Conch Siam Refractory Materials Co., Ltd.* (安徽海螺暹羅耐火材料有限公司)

On 23 September 2011, the Company and Siam Cement Group (泰國暹羅水泥集團有限公司) jointly established Anhui Conch Siam Refractory Materials Co., Ltd. (安徽海螺暹羅耐火材料有限公司), which is located in Wuhu City, Anhui Province, with a registered capital of RMB100 million. The Company owns 70% of its equity interests. The company's total planned capacity is 150,000 tonnes refractory materials per annum whilst the first phase of which is 50,000 tonnes of alkaline tiles per annum.

(3) *Conch Panjiang Cement Co., Ltd.* (銅仁海螺盤江水泥有限責任公司)

On 10 October 2011, the Company and Guizhou Panjiang Investments Holding (Group) Co., Ltd. (貴州盤江投資控股(集團)有限公司) jointly established Conch Panjiang Cement Co., Ltd. (銅仁海螺盤江水泥有限責任公司), which is located in Tongren City, Guizhou Province, with a registered capital of RMB255 million. The Company owns 51% of its equity interests. The company proposed to establish one 4,500t/d clinker production line and an ancillary cement grinding system, a residual heat electricity generation unit and requisite production ancillary facilities.

(4) *Indonesia Conch Cement Co., Ltd.* (印尼海螺水泥有限公司) and *South Kalimantan Conch Cement Co., Ltd.* (南加裡曼丹海螺水泥有限公司)

On 7 November 2011, the Company and Changxing Materials (International) Co., Ltd. (昌興物料(國際)有限公司) ("Changxing Materials") jointly established Indonesia Conch Cement Co., Ltd. (印尼海螺水泥有限公司) ("Indonesia Conch Cement"), which is located in the Republic of Indonesia ("Indonesia"). It has an issued share capital of 6,500,000 shares with a nominal value of USD1 per share. The Company owns 75% of its shares.

8. Report of the Directors

On 17 February 2012, Indonesia Conch Cement and Changxing Materials jointly established South Kalimantan Conch Cement Co., Ltd. (南加裡曼丹海螺水泥有限公司). The company will be the principal company of the Company's cement projects in South Kalimantan of Indonesia. It has an issued share capital of 6,500,000 shares with a nominal value of USD1 per share. Indonesia Conch Cement owns 95% of its shares.

(5) *Liangping Conch Cement Co., Ltd.* (梁平海螺水泥有限責任公司)

On 29 November 2011, the Company invested and established Liangping Conch Cement Co., Ltd. (梁平海螺水泥有限責任公司), which is located in Liangping county, Chongqing city, with a registered capital of RMB300 million. The Company owns 100% of its equity interests. The company proposed to establish two 4,800t/d clinker production lines in two phases and an ancillary cement grinding system and residual heat electricity generation unit.

5. Project companies acquired during the Reporting Period

(1) *Yunnan Zhuangxiang Cement Co., Ltd.*

On 21 May 2011, the Company and Longling Huihe (a wholly-owned subsidiary of the Company) entered into an equity transfer agreement with four natural persons (being former shareholders of Yunnan Zhuangxiang Cement Co., Ltd. ("Yunnan Zhuangxiang"), including Qiu Jiexiang, Jiang Huirong, etc.) in relation to the acquisition of 100% equity interests of Yunnan Zhuangxiang, of which 99% equity interests were acquired by the Company and the remaining 1% by Longling Huihe.

Yunnan Zhuangxiang has a registered capital of RMB50 million. Currently, it has established a 2,000t/d cement and clinker production line utilizing the new dry-process and an ancillary cement grinding system. As at 3 June 2011, the procedures for the relevant transfer of equity interests and change of business registration with the industrial and commerce authority were completed.

(2) *Guangxi Sihe Industrial Trading Co., Ltd.*

On 16 August 2011, the Company entered into an equity transfer agreement with Huang Shihe, the former shareholder of Guangxi Sihe Industrial Trading Co., Ltd. ("Guangxi Sihe Company"), and 5 shareholders of Guangxi Hetai Property Investments Co., Ltd. (廣西和泰置業投資有限公司) in relation to the acquisition of 80% equity interests of Guangxi Sihe Company.

8. Report of the Directors

Guangxi Sihe Company has a registered capital of RMB120 million. Currently, it owns a 4,000t/d cement and clinker production line utilizing the new dry-process, a 1,630,000 tonnes per annum cement grinding system and a 9MW residual heat electricity generation unit. As at 22 September 2011, the procedures for the relevant transfer of equity interests and change of business registration with the industrial and commerce authority were completed.

(3) *Baoji Conch Cement Co., Ltd.* (寶雞海螺水泥有限責任公司)

On 26 August 2011, the Company entered into an equity transfer agreement with Shaanxi Zhongxi Cement (Group) Co., Ltd. (“Zhongxi Company”) in relation to the acquisition of the assets of Caijiapo Cement Plant which is owned by Zhongxi Company.

On 28 September 2011, the Company established Baoji Conch Cement Co., Ltd. (寶雞海螺水泥有限責任公司) with a registered capital of RMB50 million to hold the above-mentioned assets of Caijiapo Cement Plant. The Company owns 100% of its equity interests. Caijiapo Cement Plant owns 1 set of 2,500 t/d new dry-process clinker production line, 3 sets of 1,000 t/d new dry-process clinker production line, together with an ancillary cement grinding system with 2.4 million tpa capacity and 1 set of composite woven sacks production line with a production capacity of 67 million per annum and certain ancillary works.

(4) *Baoji Zhongxi Fenghuangshan Cement Co., Ltd.*

On 26 August 2011, the Company entered into an equity transfer agreement with Zhongxi Company in relation to the acquisition of 100% equity interest in Baoji Zhongxi Fenghuangshan Cement Co., Ltd..

Baoji Zhongxi Fenghuangshan Cement Co., Ltd. has a registered capital of RMB58.8 million. Currently, it owns 1 set of 4,500 t/d new dry-process cement and clinker production line, together with the ancillary cement grinding system with 2.2 million tpa capacity and an 8MW residual heat electricity generation unit. As at 10 September 2011, the procedures for the relevant transfer of equity interests and change of business registration with the industrial and commerce authority were completed.

(5) *Baoji Zhongxi Jinlinghe Cement Co., Ltd.*

On 26 August 2011, the Company entered into an equity transfer agreement with Zhongxi Company in relation to the acquisition of 100% equity interest in Baoji Zhongxi Jinlinghe Cement Co., Ltd..

8. Report of the Directors

Baoji Zhongxi Jinlinghe Cement Co., Ltd. has a registered capital of RMB112.376 million. Currently, it owns 1 set of 4,500 t/d new dry-process cement and clinker production line, together with an ancillary cement grinding system with 2.2 million tpa capacity and an 8MW residual heat electricity generation unit. As at 30 September 2011, the procedures for the relevant transfer of equity interests and change of business registration with the industrial and commerce authority were completed.

(6) *Qianxian Conch Cement Co., Ltd. (乾縣海螺水泥有限責任公司)*

On 26 August 2011, the Company entered into an equity transfer agreement with Zhongxi Company in relation to the acquisition of 100% equity interest in Qianxian Zhongxi Cement Co., Ltd. and rename the company as Qianxian Conch Cement Co., Ltd..

Qianxian Conch Cement Co., Ltd. has a registered capital of RMB800,000. Currently, it owns 1 set of 4,500 t/d new dry-process cement and clinker production line, together with an ancillary cement grinding system with 2.2 million tpa capacity and an 8MW residual heat electricity generation unit. As at 7 October 2011, the procedures for the relevant transfer of equity interests, change of company name and change of business registration with the industrial and commerce authority were completed.

(7) *Guizhou Liukuang Shui On Cement Co., Ltd.*

On 14 October 2011, the Company entered into a cooperation agreement with Liuzhi Gongkuang (Group) Co., Ltd. (the former shareholder of Guizhou Liukuang Shui On Cement Co., Ltd.) in relation to acquiring the controlling shareholdings of Guizhou Liukuang Shui On Cement Co., Ltd. (“Guizhou Liukuang Cement”) through capital increase.

Upon completion of the capital increase, the registered capital of Guizhou Liukuang Cement will be increased to RMB477.45 million, of which the Company owns 51% of its equity interests. Currently, Guizhou Liukuang Cement owns a 2,500t/d cement and clinker production line utilizing the new dry-process and an ancillary cement grinding system, and the approval for a 4,500t/d clinker production line utilizing the new dry-process and a 9W ancillary pure low-temperature residual heat electricity generation unit. As at 6 December 2011, the procedures for the change of business registration with the industrial and commerce authority were completed.

8. Report of the Directors

(8) *Qianxinanzhou Resources Development Co., Ltd.* (黔西南州發展資源開發有限公司)

On 30 November 2011, the Company and Guizhou Panjiang Investments Holding (Group) Co., Ltd. (貴州盤江投資控股(集團)有限公司) entered into an equity transfer agreement with Ma Zhixiang and Yin Zhuzhen, the former shareholders of Qianxinanzhou Resources Development Co., Ltd. (黔西南州發展資源開發有限公司) (“Qianxinan Development Company”), in relation to the acquisition of 100% equity interests in Qianxinan Development Company, of which the Company acquired 51% of its equity interest.

Qianxinan Development Company has a registered capital of RMB9.8 million. It has obtained all the approvals, authorities, licenses and agreements for a 2,000t/d cement and clinker production line utilizing the new dry-process. It also owns other assets such as land and work under construction. As at 20 December 2011, the procedures for the relevant transfer of equity interests and change of business registration with the industrial and commerce authority were completed.

6. Financial Entrustment

- (1) In order to enhance the efficiency of working capital utilization, following the approval by the Board on 12 April 2011, the Company used part of its working capital, which amounted to RMB0.8 billion (accounting for 2.29% of the Company’s net assets for the year ended 31 December 2010 as consolidated and audited in accordance with the PRC Accounting Standards) for financial entrustment and the purchase of wealth management products “Winning Note” of Huishang Bank, Wuhu Branch, for a term not more than 3 months.

On 31 May 2011, the Company received the full amount of principal for the financial entrustment of RMB0.8 billion. The net gain from the wealth management amounted to RMB4,602,700.

- (2) To reduce financial expenses of the Company and to enhance the efficiency of working capital utilization, following the approval by the Board on 14 June 2011, the Company used part of its working capital, which amounted to RMB4 billion (accounting for 11.43% of the Company’s net assets for the year ended 31 December 2010 as consolidated and audited in accordance with the PRC Accounting Standards) for financial entrustment. The details of the entrustment plan and the gain are as follows:

- (a) The Company and Anhui Guoyuan Trust Co., Ltd. (hereinafter referred to as “Guoyuan Trust”) set up a trust plan, with trust fund amounting to RMB2.5 billion, with the expected annualized rate of return at 5.85%. The Company is the settlor of as well as the beneficiary under this trust plan, while Guoyuan Trust is the trustee of this trust plan.

8. Report of the Directors

As agreed by the Company, Guoyuan Trust and all relevant parties, the principal of and, the relevant gains from, the financial entrustment plan would be paid to the Company by Guoyuan Trust. As at 14 December 2011, Guoyuan Trust had paid to the Company the full principal amount of RMB2.5 billion and the relevant gains from the financial entrustment plan in batches. The net gain from the wealth management amounted to RMB72,718,800.

- (b) The Company purchased wealth management product of BOC with a principal amount of RMB750 million for a term of 185 days and the expected annualized rate of return is 4.80%.

The wealth management product of BOC was due on 16 December 2011. On 16 December 2011, the Company received the full amount of principal for the financial entrustment of RMB750 million. The net gain from the wealth management amounted to RMB18,246,600.

- (c) The Company and Sichuan Trust Co., Ltd. (hereinafter referred to as “Sichuan Trust”) set up a trust plan, with trust fund amounting to RMB750 million for a term of one year (due on 15 June 2012), and the expected annualized rate of return is 8.50%. The Company is the settlor of as well as the beneficiary under this trust plan, while Sichuan Trust is the trustee of this trust plan.

At the same time when the trust plan was set up with Sichuan Trust, Bank of China Wuhu Branch effected insurance cover for this trust plan at BOC Insurance Co., Ltd. Anhui Branch (“BOC Insurance”), Conch Cement is the insured and also beneficiary. If, at the maturity of this entrusted investment plan, the sum equal to the pro rata net value of the entrusted investment plan attributable to the insured and the accumulated bonus amount is less than the sum of principal amount paid on the establishment date of this entrusted investment plan and the expected return stipulated in entrustment plan agreement, BOC Insurance is liable under the insurance policy to pay the insured an amount equal to the above-mentioned shortfall.

After the above trust plan is due on 15 June 2012, the Company will make a further announcement as to the gains in due course.

Details of the above investment plans and the gains are set out in the Company’s announcements dated 14 June 2011, 29 December 2011 (HKExnews website of the Stock Exchange and Company’s website), 15 June 2011, 30 December 2011 (website of the SSE and Shanghai Securities Journal).

8. Report of the Directors

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

As at 31 December 2011, the Company had 101 majority-owned subsidiaries, 1 jointly-controlled entity and 3 associated entities, details of which were set out in notes 18, 19 and 20 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 is set out below:

(Unit: RMB'000)

Items	Name	Registered capital	Total assets	Net assets	Revenue	Profit from	Net profit
					from principal activities	principal activities	
1	Tongling Conch	742,000	4,518,978	2,472,713	3,436,046	1,109,067	873,257
2	Wuhu Conch	660,000	4,371,922	1,819,016	2,642,148	1,025,498	791,250
3	Zongyang Conch	410,000	2,768,691	1,890,623	2,995,365	895,610	698,757

The principal business activities of the above three subsidiaries are production and sales of cement and commodity clinkers, which net profits recorded a substantial growth as compared to that in the same period of last year. Of which, net profit of Zongyang Conch recorded a year-on-year growth of 116%, mainly driven by the rise in product price as the demand and supply relationship in the regional cement market improved.

(5) PROFIT APPROPRIATION

1. Formulation and implementation of the Company's cash dividend policy

(1) Formulation of cash dividend policy

Article 169A of the Articles of the Company prescribed that:

“The Company should implement aggressive profit appropriation measures. Profit appropriation policy should remain continual and stable.

In each accounting year, if the Company is profitable, the Board shall propose profit appropriation in cash proposal at the general meeting; if no profit appropriation in cash proposal is proposed, reasons shall be disclosed in the regular report, on which independent directors shall give independent advice. If any shareholder of the Company illegally utilizes the Company's capital, the Company shall deduct the cash dividend distributed to him so as to repay the capital so utilized.”

8. Report of the Directors

(2) Implementation of cash dividend policy

The Company has always been actively implementing profit appropriation proposals since its listing. The profit appropriation proposals are proposed by the Board of the Company at general meetings, which will be implemented after obtaining approvals. Details of the capitalization of capital reserve fund and cash dividends in the past three years are as follows:

Year	Capitalization of capital reserve fund for the year	Dividend for the year (‘000 RMB)	Cash dividend for the year to net profit attributable to equity shareholders of the Company
2008	/	529,930	20.33%
2009	10 capitalization shares were issued for every 10 existing shares held by way of capitalization of the capital reserve fund	618,252	17.44%
2010	5 capitalization shares were issued for every 10 existing shares held by way of capitalization of the capital reserve fund	1,059,861	17.17%

2. Profit Appropriation Proposal

Based on the financial data prepared in accordance with the PRC Accounting Standards and IFRS respectively, the Group’s profit after tax and minority interests for year 2011 amounted to RMB11,589.83 million and RMB11,586.38 million respectively. The Board of the Company proposed the appropriation of the profit for the year ended 31 December 2011 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 RMB660.91 million.

8. Report of the Directors

- (2) Based on the Company's total number of issued shares of 5,299,302,579 shares in its share capital as at 31 December 2011, the payment of a final dividend of RMB0.35 per share (tax inclusive) is proposed, totaling RMB1,854.76 million.

The above profit appropriation proposal is subject to consideration and approval by shareholders at the annual general meeting for year 2011.

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 2011.

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》 and Notice on Issues relating to Collecting Individual Income Tax after the Document of Guoshuifa No. 045[1993] becomes Void (Guoshuihan No. 348 [2011]) 《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》 promulgated by State Administration of Taxation on 6 November 2008 and 28 June 2011 respectively, the Company is required to withhold and pay corporate income tax and individual income tax at the same rate of 10% before distributing the final dividend to non-resident corporate shareholders and individual shareholders whose names appear on the H Shares register of members of the Company.

(6) EXPLANATION ON THE CHANGES IN ACCOUNTING POLICIES DURING THE REPORTING PERIOD

Under Annual Improvements to IFRSs promulgated by the International Accounting Standards Board ("IASB") in 7 May 2010, since 1 January 2011, in the financial report prepared according to IFRSs, in respect of the difference between the revalued amount and nominal amount of assets from restructure and listing, the Company is allowed to make adjustment in 2011 with the revalued amount as the recognized cost of the assets and the adjustment on difference shall be directly credited to the net assets. The changes in accounting policies have no influence on the financial statements of the Company which was prepared in accordance with PRC Accounting Standards.

On 15 August 2011, the Company considered and approved at the fourth meeting of the fifth session of the Board of the Company that since 2011, in the financial report prepared according to IFRSs, the land use right from restructure and listing would be credited according to revalued amount to further reduce the difference between international and PRC financial reports.

8. Report of the Directors

(7) TAXATION

Details of taxation are set out in notes 8 and 35 to the financial statements prepared in accordance with IFRS, and in note 3 “Taxation” and notes 16, 25, 38 and 47 under note 5 “Notes to Consolidated Financial Statement” to the financial statements prepared in accordance with the PRC Accounting Standards.

(8) MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2011, in the business operation of the Group, the aggregate sales amount of the Group to its five largest customers amounted to RMB775 million, representing 1.59% of the total sales amount of the Group; and the largest customer accounted for 0.42% of the total sales amount of the Group; the aggregate purchases amount from the five largest suppliers amounted to RMB5,641 million, representing 15.05% of the total purchases amount of the Group; and the largest supplier accounted for 5.12% 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 HKSE Listing Rules) 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 2011. The major raw materials and energy used by the Company are denominated in RMB.

(9) LEASEHOLD LAND, PROPERTY, PLANT AND EQUIPMENT

Changes in leasehold land, property, plant and machinery of the Company for the year ended 31 December 2011 were set out in notes 14 and 15 to the financial statements prepared in accordance with IFRS.

(10) TOTAL ASSETS

As at 31 December 2011, the Group’s total assets as determined in accordance with IFRS amounted to approximately RMB84.003 billion, representing an increase of approximately RMB23.592 billion over that of last year.

(11) RESERVES

Changes in the reserves of the Company and the Group for the year ended 31 December 2011 were set out in the consolidated statement of changes in equity and note 39 to the financial statements prepared in accordance with IFRS.

8. Report of the Directors

(12) DEPOSITS, LOANS AND CAPITALIZED INTEREST

Details of the Group's loans as at 31 December 2011 were set out in notes 32, 33 and 34 to the financial statements prepared in accordance with IFRS. As at 31 December 2011, 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 RMB182.87 million, details of which were set out in note 7 to the financial statements prepared in accordance with IFRS.

(13) 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.

(14) 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.

8. Report of the Directors

(15) ESTABLISHMENT AND 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 internal review and examination, the Company believes that 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.

9. Report of the Supervisory Committee

(1) REPORT ON THE WORKS OF THE SUPERVISORY COMMITTEE IN 2011

During the Reporting Period, resolutions were passed at a total of two 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 28 March 2011, the third meeting of the fifth 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 2010, the financial statements prepared in accordance with IFRS and PRC Accounting Standards respectively for year 2010 and the annual report for year 2010 and its summary and the results announcement were considered and approved.
2. On 18 April 2011, a meeting of the Supervisory Committee of the Company was held by means of telecommunication and the first quarterly report for year 2011 of the Company was considered and approved.
3. On 15 August 2011, the fourth 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 2011 prepared in accordance with PRC Accounting Standards and IFRS respectively, the interim report for the six months ended 30 June 2011 and its summary and the results announcement, and the special report on fund deposits and actual use of proceeds of the fund raised in the first half of 2011 were considered and approved.
4. On 25 October 2011, a meeting of the Supervisory Committee of the Company was held by means of telecommunication and the third quarterly report for year 2011 of the Company was considered and approved.

9. Report of the Supervisory Committee

(2) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON CERTAIN ISSUES CONCERNING THE COMPANY IN 2011

1. Operations compliance

In 2011, 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 SSE Listing Rules and the Articles, rigorously implemented the resolutions of general meetings and made operating decisions in a scientific and reasonable manner. 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 2011 gave an objective, true and fair view on the financial position and operating results of the Company.

3. Use of proceeds

During the Reporting Period, the actual investment projects, with the use of proceeds raised from the public offer of A shares in 2008 and the use of proceeds raised from the issuance of corporate bonds in 2011 by the Company, were consistent with the committed investment projects. There was no change in actual investment projects.

4. Acquisition of assets

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

9. Report of the Supervisory Committee

5. Connected transactions

During the Reporting Period, the connected transactions of the Company were conducted in accordance with the law. The relevant considerations were determined with reference to market prices, and 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 2011 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.

10. Significant Events

(1) MATERIAL LITIGATION AND ARBITRATION

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

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

As approved and authorized by the Board, the Company utilized some of its funds for making investment in a few PRC listed companies in the cement industry with competitive strengths and growth potential.

As at the end of the Reporting Period, the Company's shareholdings in other listed companies and trading of shares of other listed companies are set out as follows:

1. Shareholdings in other listed companies:

Stock code	Short name	Initial Investment amount (RMB)	Proportion of equity interest in that company (%)	Carrying amount as at the end of the Reporting Period (RMB)	Profit/loss recognized during the Reporting Period (RMB)	Change in equity interest during the Reporting Period (RMB)
600318	Chaodong Cement	98,019,695	16.28%	453,329,407	-	(4,726,284)
000401	Jidong Cement	2,337,225,506	15.30%	3,092,682,713	-	(685,015,030)
000885	Tongli Cement	44,349,667	1.18%	32,839,600	22,747,974	(8,927,043)
Total		2,479,594,868	-	3,578,851,720	22,747,974	(698,668,357)

- Notes:
1. The above shares held by the Company were recognized in "Available-for-sale financial assets".
 2. As at the end of the Reporting Period, the 39,385,700 shares in Chaodong held by the Company remained unchanged. The shares were obtained in 2007 through a transfer agreement.
 3. As at the end of the Reporting Period, the Company held 185,523,858 shares in Jidong Cement and 2,980,000 shares in Tongli Cement. The shares were acquired by the Company through the central clearing system of the stock exchange.

10. Significant Events

2. Trading of shares of other listed companies:

Stock code	Short name	Numbers of Shares		Amount of capital used (RMB)	Numbers of Shares		Amount of capital obtained from sale of shares (RMB)	Numbers of shares at the end of the period (shares)	Investment income (RMB)
		at the beginning of the period (shares)	Shares purchased during the Reporting Period (shares)		Shares sold during the Reporting Period (shares)	Period (RMB)			
600802	Fujian Cement	-	15,624,991	159,401,155	5,993,440	80,581,799	9,631,551	11,618,535	

Note: All of the above shares held by the Company were recognized in "Financial assets held for trading".

(3) ACQUISITIONS OF MATERIAL ASSETS

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

(4) MATERIAL CONNECTED (OR RELATED PARTY) 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 has been granted a license to use certain permitted trademarks (including trademarks of "海螺" and "CONCH") on permitted products in permitted regions for the period as set out in the terms of the Trademark Licensing Agreement. The validity period of the Trademark Licensing Agreement is provided to be same as the validity period of the permitted trademarks, and where the validity period of the permitted trademarks is extended, the Trademark Licensing Agreement in respect of the trademarks is agreed to be extended automatically. Under the Trademark Licensing Agreement, the Company is required to pay RMB1.513 million per annum for the use of the trademark to Conch Holdings.

The Group paid the relevant fee to Conch Holdings for the use of the permitted trademarks during the Reporting Period. Pursuant to the HKSE Listing Rules and the SSE Listing Rules, no announcements were required to be made in respect of such connected transaction, nor was such connected transaction subject to independent shareholders' approval requirement.

10. Significant Events

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

On 27 April 2011, as approved by the Board, Jiangmen Conch and Foshan Conch (both being wholly-owned subsidiaries of the Company) entered into a clinker procurement agreement (“Clinker Procurement Agreement”) respectively with Longshan Cement for the procurement of clinker from Longshan Cement. It is planned that Jiangmen Conch and Foshan Conch will procure 0.5 million and 0.1 million tonnes of clinker from Longshan Cement at a purchase price of RMB142.5 million and RMB28.5 million, respectively. The validity period of the agreement commenced from 1 January 2011 and expired on 31 December 2011.

Longshan Cement is a wholly-owned subsidiary of 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 (a non wholly-owned subsidiary of the Company), of which 75% equity interest is held by the Company and Prosperity Minerals holds the remaining 25% equity interest. Under the HKSE Listing Rules, Longshan Cement is a connected person of the Company and the above-mentioned transactions constitute continuing connected transactions. Under the SSE Listing Rules, as Mr. Wu Jianping (an executive Director of the Company) serves as a director and general manager of Longshan Cement, Longshan Cement is a connected person of the Group. Accordingly, the above transactions constituted connected transactions.

The purchase price of clinker was determined, with reference to market prices, by Longshan Cement with Jiangmen Conch and Foshan Conch, respectively, after negotiations. Such purchase price is not higher than that offered to other independent customers by Longshan Cement. During the Reporting Period, Jiangmen Conch and Foshan 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. The procurement of clinker was settled by payment of purchase price before delivery.

During the Reporting Period, Jiangmen Conch procured clinker from Longshan Cement for an amount of RMB121.74 million, which did not exceed the cap of RMB142.5 million as prescribed under the Clinker Procurement Agreement; Foshan Conch procured clinker from Longshan Cement for an amount of RMB24.34 million which did not exceed the cap of RMB28.5 million as prescribed under the Clinker Procurement Agreement.

10. Significant Events

For further details, please refer to the Company's announcement dated 27 April 2011 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 28 April 2011 and published on the SSE website and Shanghai Securities Journal. These continuing connected transactions are not subject to the independent shareholders' approval requirements.

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

On 27 April 2011, as approved by the Board, 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, and the purchase price was provided to be RMB20 million. The term of the agreement commenced from 27 April 2011 and expired on 31 December 2011.

The prices of spare parts and production ancillary materials offered by Prosperity Conch and Longshan Cement respectively were based on the prices they may procure from other suppliers of theirs. The purchase prices for spare parts and production ancillary materials mutually procured between Prosperity Conch and Longshan Cement were provided to be settled by their own funds on a monthly basis.

During the Reporting Period, the total purchase prices of spare parts and production ancillary materials mutually procured by Prosperity Conch from Longshan Cement amounted to RMB8.17 million, while the total purchase prices of spare parts and production ancillary materials mutually procured by Longshan Cement from Prosperity Conch amounted to RMB5.44 million. Such purchase prices did not exceed the cap of RMB20 million for mutual procurement of spare parts and production ancillary materials as prescribed under the Spare Parts and Production Ancillary Materials Procurement Agreement.

For further details, please refer to the Company's announcement dated 27 April 2011 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 28 April 2011 and published on the SSE website and Shanghai Securities Journal). Such continuing connected transactions are not subject to the independent shareholders' approval requirements.

10. Significant Events

2. Residual heat electricity generation projects

On 2 June 2011, as approved by the Board, the Company and Conch Kawasaki Engineering entered into an equipment supply and design contract, pursuant to which Conch Kawasaki Engineering has agreed to provide supply and design services for a whole set of equipment for the construction of residual heat electricity generation projects for certain subsidiaries of the Company. The aggregate contract sum amounted to RMB330.35 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, under the SSE Listing Rules, Conch Kawasaki Engineering is considered to be a connected person of the Company. As such, the above transaction constituted a connected transaction for the purpose of the SSE Listing Rules. The above transaction did not constitute a connected transaction under the HKSE Listing Rules.

In respect of this transaction between the Company and Conch Kawasaki Engineering, the purchase price for the equipment charged by Conch Kawasaki Engineering was based on the actual cost incurred by it plus certain markup. The design fee was determined through negotiations between the parties based on the costs of the projects (determined mainly by the scale of the projects and various technical specifications) as well as the prevailing market prices of such services and the prices charged by Conch Kawasaki Engineering against other customers, but such price shall not be higher than that offered by Conch Kawasaki Engineering to other independent customers.

During the Reporting Period, in the context of the performance of the above equipment supply and design contract (and only such contract), the Group paid the relevant equipment price and design fee totalling RMB108.11 million to Conch Kawasaki Engineering. Including the aforesaid contracts and other similar contracts entered into in previous years, the total equipment price and design fee paid to Conch Kawasaki Engineering during the Reporting Period amounted to RMB395.97 million.

For further details, please refer to the Company's announcement dated 2 June 2011 and published on the websites of the Stock Exchange and the Company respectively, and the Company's announcement dated 3 June 2011 and published on the SSE website and Shanghai Securities Journal. Such connected transaction is not subject to the independent shareholders' approval requirements.

3. Purchase of milling equipment

On 2 June 2011, as approved by the Board, the Company and Conch Kawasaki Energy Conservation entered into a CK milling equipment supply contract, pursuant to which the Company agreed to purchase from Conch Kawasaki Energy Conservation 6 sets

10. Significant Events

of CK raw material milling equipment and 2 sets of CK cement milling equipment, which would be installed at the cement clinker production lines of certain subsidiaries of the Company. The total contract sum was RMB198 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 the general manager of the Company) serves as the chairman of the board of directors of Conch Kawasaki Energy Conservation, while Mr. He Chengfa (a deputy general manager of the Company) serves as a director of Conch Kawasaki Energy Conservation, under the SSE Listing Rules, Conch Kawasaki Energy Conservation is considered to be a connected person of the Company. As such, the above transaction constituted a connected transaction for the purpose of the SSE Listing Rules. The above transaction did not constitute a connected transaction under the HKSE Listing Rules.

The contract sum was agreed between the parties on the basis of the costs of the equipment and the prevailing market prices of such equipment, and also with reference to the fees charged by Conch Kawasaki Energy Conservation against other customers, but such contract sum shall not be higher than that offered by Conch Kawasaki Energy Conservation to other independent customers.

During the Reporting Period, in the context of the performance of the above CK milling equipment supply contract (and only such contract), the Group had paid the relevant equipment price of RMB36.8 million to Conch Kawasaki Energy Conservation. Including the aforesaid contracts and other similar contracts entered into in previous years, the total equipment price paid to Conch Kawasaki Energy Conservation during the Reporting Period amounted to RMB202.07 million.

For further details, please refer to the Company's announcement dated 2 June 2011 and published on the websites of the Stock Exchange and the Company respectively, and the Company's announcement dated 3 June 2011 and published on the SSE website and Shanghai Securities Journal. Such connected transaction is not subject to the shareholders' approval requirements.

4. Design of cement and clinker engineering projects

On 2 June 2011, as approved by the Board of the Company, the Company and Conch Design entered into a design and technical service contract, pursuant to which Conch Design has agreed to provide services of design and technical modification of clinker production lines and cement grinding mill systems for certain subsidiaries of the Company. The contract sum amounted to RMB45.58 million.

Conch Design is a wholly-owned subsidiary of Conch Holdings, the controlling shareholder of the Company. Under the HKSE Listing Rules, Conch Design is an associate of Conch Holdings and is therefore a connected person of the Company

10. Significant Events

and, accordingly the above transaction constituted a connected transaction. Under the SSE Listing Rules, Conch Design is a connected person of the Company and, accordingly, 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 the Ministry of Construction in 2002, having regard to the project scale, investment sum, scope of design, technical specifications and the prevailing market prices. The design fee is provided to be settled based on project progress.

During the Reporting Period, in the context of the performance of the above design and technical service contract (and only such contract), the design fee paid by the Group to Conch Design amounted to RMB11.3 million. Taking into account the aforesaid contract and similar contracts entered into in previous years, the aggregate design fees paid to Conch Design during the Reporting Period amounted to RMB51.18 million.

For further details, please refer to the Company's announcement dated 2 June 2011 and published on the websites of the Stock Exchange and the Company respectively, and the Company's announcement dated 3 June 2011 and published on the SSE website and Shanghai Securities Journal. Such connected transaction was not subject to the independent shareholders' approval requirements.

5. Loans from Conch Holdings, the controlling shareholder

To further support the Company's business and development, to optimize the Company's financial structure and to reduce its financial costs, following negotiations, Conch Holdings advanced to the Group part of the funds raised from the issue of its medium term notes, which were applied to the improvement of financing structure and replenishment of working capital. On 31 March 2011, as approved by the Board, the Company was authorized to borrow from Conch Holdings for an amount of not more than RMB2.0 billion with an annual interest rate of 5.78% and for a term commencing from the date of drawdown of the fund from the bank account of Conch Holdings to 27 March 2014.

During the Reporting Period, the Group borrowed RMB2 billion from Conch Holdings, with a balance of RMB5.2 billion remaining outstanding as at the end of the Reporting Period.

For details, please refer to the Company's announcement dated 31 March 2011 and published on the websites of the Stock Exchange and the Company respectively, and the Company's announcement dated 1 April 2011 and published on the SSE website and Shanghai Securities Journal. Such connected transaction was not subject to independent shareholders' approval requirements.

10. Significant Events

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 taken 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 involved in any material entrustment, contracting or leasing of assets of other companies, nor were any other companies involved in any entrustment, contracting or leasing of assets of the Company during the Reporting Period or during the previous periods but subsisting in the Reporting Period.

2. Guarantees

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

During the Reporting Period, the guarantees provided by the Company for its subsidiaries amounted to RMB170 million, all being guarantees for collateral liabilities; as at 31 December 2011, the balance of guarantees provided by the Company for its subsidiaries amounted to RMB3,159.25 million, representing 8.67% of the net assets of the Company.

10. Significant Events

During the Reporting Period, the Company did not provide any guarantee for its controlling shareholder, de facto controllers, other related parties and any other entities which are not legal persons or individuals. The aggregate amount of guarantees provided by the Company did not exceed 50% of the Company's net assets as shown in its audited financial statements. The Company did not provide guarantee to the subsidiaries controlled by it with a gearing ratio of over 70%.

As at 31 December 2011, Baimashan Cement Plant and Ningguo Cement Plant (being branch companies of the Company) pledged their assets having a book value of approximately RMB603 million to International Finance Corporation as security for their long-term loan in the sum of RMB650 million.

During the Reporting Period, assets with a book value of approximately RMB332 million were received by the Company as a result of the acquisition of Guangxi Sihe Company. The assets served as collaterals for a loan of RMB171 million borrowed from a financial institution. Assets with a book value of approximately RMB96.81 million were received as a result of the acquisition of Baoji Zhongxi Jinlinghe Cement Co., Ltd.. The assets served as collaterals for a loan of RMB24.9 million borrowed from a financial institution. Assets with a book value of approximately RMB23.86 million were received by the Company as a result of the acquisition of Baoji Zhongxi Fenghuangshan Cement Co., Ltd.. The assets served as collaterals for a loan of RMB4.9 million borrowed from a financial institution.

3. 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, that is, 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).

10. Significant Events

Trading restrictions of the shares were released on 26 May 2010. Ping An Trust reduced its shareholding through the trading system of SSE. As at 31 December 2011, Ping An Trust still held 74,425,633 A shares of the Company. During the Reporting Period, Conch Holdings, Conch Venture and Ping An Trust strictly complied with the undertakings regarding shareholders' rights arrangements.

(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, Conch Holdings (the controlling shareholder of the Company) received a notice of decision on administrative sanction ([2011] No.11) from CSRC. The notice states that there occurred acts where Conch Holdings carried out securities transactions under the accounts of third parties from 12 April 2000 to 24 January 2007, which violated the provisions of Article 74 of the former Securities Law and Article 80 of the Securities Law, and constituted the conducts as prescribed under Article 190 of the former Securities Law regarding "trading of securities by a legal person under the account created in the name of natural persons" and Article 208 of the Securities Law regarding "trading of securities by a legal person under the account created in the name of a third party or by using the account of a third party". CSRC ruled that Conch Holdings' income of RMB6,815,745.23 arising from such violation be confiscated, having taken into account that such violation had its historical background and objective reasons, which was rectified and dealt with in a timely manner upon request, and also assuming liability for violation of statutory requirements.

The above confiscated amount was paid by Conch Holdings, within 15 days from the date of its receiving the notice of penalty-ruling, to the bank account as designated by CSRC.

11. Independent Auditor's Report



To the shareholders of

Anhui Conch Cement Company Limited

(Incorporated in The People's Republic of China with limited liability)

We have audited the consolidated financial statements of Anhui Conch Cement Company Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 94 to 236, which comprise the consolidated and company balance sheets as at 31 December 2011, 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.

11. Independent Auditor's Report

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 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

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

26 March 2012

12. Financial Statements prepared in accordance with International Financial Reporting standards

Consolidated income statement

for the year ended 31 December 2011
(Expressed in Renminbi Yuan)

	Note	2011 RMB'000	2010 RMB'000 (Restated)
Turnover	5	48,653,809	34,508,282
Cost of sales and services rendered		(29,477,073)	(23,566,109)
Gross profit		19,176,736	10,942,173
Other revenue	6	877,034	506,893
Other net income/(loss)	6	150,802	(5,381)
Selling and marketing costs		(1,859,205)	(1,546,451)
Administrative expenses		(1,798,518)	(1,298,708)
Profit from operations		16,546,849	8,598,526
Finance costs	7(a)	(874,630)	(514,157)
Share of profits of associates		864	226
Share of profits of jointly controlled entities	20	26,209	27,027
Profit before taxation	7	15,699,292	8,111,622
Income tax	8(a)	(3,880,265)	(1,770,091)
Profit for the year		11,819,027	6,341,531
Attributable to:			
Equity shareholders of the Company	11	11,586,382	6,159,643
Non-controlling interests		232,645	181,888
Profit for the year		11,819,027	6,341,531
Earnings per share	13		
– Basic (restated)		RMB2.19	RMB1.16
– Diluted (restated)		RMB2.19	RMB1.16

The notes on pages 103 to 236 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 39(b).

12. Financial Statements prepared in accordance with International Financial Reporting standards

Consolidated statement of comprehensive income

for the year ended 31 December 2011

(Expressed in Renminbi Yuan)

	Note	2011 RMB'000	2010 RMB'000 (Restated)
Profit for the year		11,819,027	6,341,531
Other comprehensive income for the year (after tax and reclassification adjustments)	12		
Available-for-sale equity securities: net movement in the fair value reserve		(698,668)	662,180
Total comprehensive income for the year		11,120,359	7,003,711
Attributable to:			
Equity shareholders of the Company		10,887,714	6,821,823
Non-controlling interests		232,645	181,888
Total comprehensive income for the year		11,120,359	7,003,711

The notes on pages 103 to 236 form part of these financial statements.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Consolidated balance sheet

at 31 December 2011

(Expressed in Renminbi Yuan)

	Note	2011		RMB'000	2010 RMB'000 (Restated)
		RMB'000	RMB'000		
Non-current assets					
Property, plant and equipment	14(a)		48,803,943		39,118,501
Lease prepayments	15(a)		2,681,343		2,020,166
Intangible assets	16(a)		1,796,554		781,755
Goodwill	17		79,693		16,120
Interest in associates	19		160,454		159,590
Interest in jointly controlled entities	20		238,219		863,602
Loans and receivables	21		340,860		110,216
Available-for-sale equity securities	22		3,578,852		3,754,675
Deferred tax assets	35(b)		103,548		80,943
			57,783,466		46,905,568
Current assets					
Inventories	23		4,378,423	2,493,128	
Other investments	24		75,897	-	
Trade receivables	25		10,938,748	6,403,560	
Prepayments and other receivables	26		2,404,199	1,526,682	
Amounts due from related parties	28		384,506	335,435	
Tax recoverable	35(a)		10,371	6,907	
Restricted cash deposits			58,994	46,726	
Bank deposits with maturity over three months			221,624	-	
Cash and cash equivalents	29		7,747,188	2,689,148	
			26,219,950	13,501,586	
Current liabilities					
Trade payables	30		5,078,909	4,001,783	
Other payables and accruals	31		6,640,530	4,615,129	
Bank loans and other borrowings	33		3,197,073	3,171,523	
Amounts due to related parties	28		336,710	366,946	
Current portion of long-term payables	36		55,179	12,702	
Obligations under finance leases	37		59,228	66,742	
Current taxation	35(a)		1,623,693	842,200	
			16,991,322	13,077,025	
Net current assets			9,228,628		424,561
Total assets less current liabilities			67,012,094		47,330,129

12. Financial Statements prepared in accordance with International Financial Reporting standards

Consolidated balance sheet (continued)

at 31 December 2011

(Expressed in Renminbi Yuan)

	Note	2011		2010
		RMB'000	RMB'000	RMB'000 (Restated)
Non-current liabilities				
Bank loans and other borrowings	32(a)	19,238,754		10,971,386
Long-term payables	36	405,094		65,398
Obligations under finance leases	37	58,878		110,934
Deferred income	38	414,787		410,109
Deferred tax liabilities	35(b)	445,755		523,122
			20,563,268	12,080,949
NET ASSETS				
			46,448,826	35,249,180
CAPITAL AND RESERVES				
Share capital	39(c)		5,299,303	3,532,868
Reserves			39,157,505	31,096,087
Total equity attributable to equity shareholders of the Company				
			44,456,808	34,628,955
Non-controlling interests				
			1,992,018	620,225
TOTAL EQUITY				
			46,448,826	35,249,180

Approved and authorised for issue by the board of directors on 26 March 2012.

Guo Wen San
Director

Guo Jing Bin
Director

The notes on pages 103 to 236 form part of these financial statements.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Balance sheet

at 31 December 2011

(Expressed in Renminbi Yuan)

	Note	2011		2010	
		RMB'000	RMB'000	RMB'000	RMB'000 (Restated)
Non-current assets					
Property, plant and equipment	14(b)		916,792		969,187
Lease prepayments	15(b)		182,431		191,542
Intangible assets	16(b)		101,361		46,096
Investments in subsidiaries	18		29,842,249		27,987,838
Interest in associates	19		157,429		157,429
Interest in jointly controlled entities	20		179,347		809,000
Loans and receivables	21		300,000		–
Available-for-sale equity securities	22		3,578,852		3,754,675
			35,258,461		33,915,767
Current assets					
Inventories	23		290,970		185,525
Other investments	24		75,897		–
Trade receivables	25		2,232,809		1,283,076
Prepayments and other receivables	26		7,172,103		113,104
Amounts due from subsidiaries	27		5,907,064		7,899,388
Amounts due from related parties	28		12,018		13,003
Restricted cash deposits			8,789		14,761
Cash and cash equivalents	29		5,513,296		896,376
			21,212,946		10,405,233
Current liabilities					
Trade payables	30		1,016,945		1,128,827
Other payables and accruals	31		715,480		266,896
Bank loans and other borrowings	33		450,000		350,000
Amounts due to subsidiaries	27		6,993,030		9,524,244
Amounts due to related parties	28		103,029		105,161
Current taxation	35(a)		215,324		54,384
			9,493,808		11,429,512
Net current assets/(liabilities)			11,719,138		(1,024,279)
Total assets less current liabilities			46,977,599		32,891,488

12. Financial Statements prepared in accordance with International Financial Reporting standards

Balance sheet (continued)

at 31 December 2011

(Expressed in Renminbi Yuan)

	Note	2011		2010	
		RMB'000	RMB'000	RMB'000	RMB'000 (Restated)
Non-current liabilities					
Bank loans and other borrowings	32(a)	10,355,640		840,000	
Deferred income	38	31,399		34,534	
Deferred tax liabilities	35(b)	274,068		503,641	
			10,661,107		1,378,175
NET ASSETS			36,316,492		31,513,313
CAPITAL AND RESERVES					
	39(a)				
Share capital			5,299,303		3,532,868
Reserves			31,017,189		27,980,445
TOTAL EQUITY			36,316,492		31,513,313

Approved and authorised for issue by the board of directors on 26 March 2012.

Guo Wen San
Directors

Guo Jing Bin
Directors

The notes on pages 103 to 236 form part of these financial statements.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Consolidated statement of changes in equity

for the year ended 31 December 2011

(Expressed in Renminbi Yuan)

Note	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Fair value reserve	Retained profits	Total	Non-controlling interests	Total equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2010	1,766,434	13,776,659	38,727	759,006	877,641	11,068,873	28,287,340	537,395	28,824,735	
Impact of change in accounting policy	2(c)	-	-	191,981	-	-	(47,431)	144,550	-	144,550
Restated balance at 1 January 2010	1,766,434	13,776,659	230,708	759,006	877,641	11,021,442	28,431,890	537,395	28,969,285	
Changes in equity for 2010:										
Profit for the year (restated)		-	-	-	-	6,159,643	6,159,643	181,888	6,341,531	
Other comprehensive income	12	-	-	-	662,180	-	662,180	-	662,180	
Total comprehensive income		-	-	-	662,180	6,159,643	6,821,823	181,888	7,003,711	
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		-	-	-	-	-	-	(19,090)	(19,090)	
Dividends approved in respect of the previous year	39(b)	-	-	-	-	(618,252)	(618,252)	-	(618,252)	
Capitalisation issue	39(c)(ii)	1,766,434	(1,766,434)	-	-	-	-	-	-	
Acquisition of non-controlling interests		-	-	(6,506)	-	-	(6,506)	(79,968)	(86,474)	
Appropriations to reserves for current year profit		-	-	-	382,878	-	(382,878)	-	-	
Restated balance at 31 December 2010		3,532,868	12,010,225	224,202	1,141,884	1,539,821	16,179,955	34,628,955	620,225	35,249,180
Changes in equity for 2011:										
Profit for the year		-	-	-	-	11,586,382	11,586,382	232,645	11,819,027	
Other comprehensive income	12	-	-	-	(698,668)	-	(698,668)	-	(698,668)	
Total comprehensive income		-	-	-	(698,668)	11,586,382	10,887,714	232,645	11,120,359	
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		-	-	-	-	-	-	(6,412)	(6,412)	
Dividends approved in respect of the previous year	39(b)	-	-	-	-	(1,059,861)	(1,059,861)	-	(1,059,861)	
Capitalisation issue	39(c)(ii)	1,766,435	(1,766,435)	-	-	-	-	-	-	
Acquisition of subsidiaries with non-controlling interests	4	-	-	-	-	-	-	1,090,570	1,090,570	
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders		-	-	-	-	-	-	54,990	54,990	
Appropriations to reserves for current year profit	39(d)(iii)	-	-	-	660,910	-	(660,910)	-	-	
Balance at 31 December 2011		5,299,303	10,243,790	224,202	1,802,794	841,153	26,045,566	44,456,808	1,992,018	46,448,826

The notes on pages 103 to 236 form part of these financial statements.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Consolidated cash flow statement

for the year ended 31 December 2011
(Expressed in Renminbi Yuan)

	Note	2011		2010	
		RMB'000	RMB'000	RMB'000	RMB'000
Operating activities					
Cash generated from operations	29(b)	13,605,701		7,292,327	
– Income tax paid		(3,113,889)		(1,282,020)	
– Interest paid		(765,257)		(657,891)	
Net cash generated from operating activities			9,726,555		5,352,416
Investing activities					
Payment for the purchase of property, plant and equipment		(7,615,409)		(8,390,418)	
Proceeds from disposal of property, plant and equipment		51,285		10,205	
Lease prepayments		(238,669)		(555,589)	
Payment for the purchase of intangible assets		(401,588)		(354,302)	
Payment for purchase of:					
– available-for-sale equity securities		(773,228)		(527,776)	
– trading financial assets		(159,401)		–	
Proceeds from sale of available-for-sale equity securities		40,242		–	
Proceeds from maturity of loans and receivables to third parties		4,050,000		–	
Proceeds from sale of trading financial assets		80,582		–	
New loans and receivables to third parties		(4,800,000)		–	
New advances to government		(331,898)		(77,130)	
Repayment of advances from government		80,454		86,204	
New bank deposits with maturity over three months		(140,000)		–	
Proceeds from maturity of bank deposits over three months		69,376		–	
Interest received		193,462		44,901	
Capital contribution to a jointly controlled entity		(100,000)		–	
Payment for the acquisition of interest in jointly controlled entities		–		(495,000)	
Payment for acquisition of non-controlling interests		–		(86,474)	
Dividends received from a jointly controlled entity		–		4,173	
Acquisition of subsidiaries, net of cash acquired		(173,021)		–	
Net cash used in investing activities			(10,167,813)		(10,341,206)

12. Financial Statements prepared in accordance with International Financial Reporting standards

Consolidated cash flow statement (continued)

for the year ended 31 December 2011

(Expressed in Renminbi Yuan)

	Note	2011		2010	
		RMB'000	RMB'000	RMB'000	RMB'000
Financing activities					
Proceeds from new bank loans and other borrowings		12,836,035		9,425,395	
Repayment of bank loans and other borrowings		(5,603,423)		(4,859,388)	
Dividends paid to non-controlling shareholders of non-wholly owned subsidiaries		(6,412)		(19,090)	
Dividends paid to equity shareholders of the Company	39(b)(ii)	(1,059,861)		(618,252)	
(Increase)/decrease in restricted cash deposits		(5,768)		7,437	
Proceeds from sale and leaseback of property, plant and equipment		-		176,000	
Capital contribution from non-controlling interests		54,990		-	
Payment of rentals for sale and leaseback of property, plant and equipment		(59,570)		(7,040)	
Other payments related to financing activities		(656,693)		-	
Net cash generated from financing activities			5,499,298		4,105,062
Net increase/(decrease) in cash and cash equivalents			5,058,040		(883,728)
Cash and cash equivalents at 1 January	29(a)		2,689,148		3,572,876
Cash and cash equivalents at 31 December	29(a)		7,747,188		2,689,148

The notes on pages 103 to 236 form part of these financial statements.

12. Financial Statements prepared in accordance with International Financial Reporting standards

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.

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 2(c) 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 2011 comprise the Company and its subsidiaries and the Group’s interest in associates and jointly controlled entities.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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(g)); and
- derivative financial instruments (see note 2(h)).

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(aa)).

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 3.

(c) Changes in accounting policies

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

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

- IAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRSs (2010)

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

Improvement to IFRSs (2010) allows a first-time adopter of IFRSs to use an event-driven fair value measurement as deemed cost for its assets and liabilities, even when the measurement date is after the IFRS transition date, provided that the measurement date is before the end of the period covered by the entity's first IFRS financial statements. This amendment can also be adopted retrospectively by existing IFRS reporters, provided that they make the necessary changes at the latest in the first annual period beginning on or after 1 January 2011. Accordingly, with effect from 1 January 2011, the Company has applied this amendment retrospectively, and the revalued amount of the Group's interests in leasehold land for own use on the occurrence of the Company's initial public offering in 1997 has been recognised as deemed cost in the financial statements. Prior to 1 January 2011, interests in leasehold land for own use included in the financial statements as lease prepayments were carried at historical cost. The above change in accounting policy was made with a view to aligning the accounting policies adopted in the financial statements of the Group prepared under IFRSs and the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

The change in the aforesaid accounting policy is applied retrospectively and had no material impact on earnings per share.

	Lease prepayments	Capital reserve	Retained profits
	RMB'000	RMB'000	RMB'000
Balance as reported			
– 1 January 2010	1,458,659	(38,727)	(11,068,873)
Effect of event-driven revaluation up to 1 January 2010	144,550	(191,981)	47,431
Restated balance as at 1 January 2010	1,603,209	(230,708)	(11,021,442)
Balance as reported			
– 31 December 2010	1,879,454	(32,221)	(16,231,224)
Effect of event-driven revaluation up to 1 January 2010	144,550	(191,981)	47,431
Effect of event-driven revaluation for the year ended 31 December 2010	(3,838)	–	3,838
Restated balance as at 31 December 2010	2,020,166	(224,202)	(16,179,955)

The effect on the consolidated income statement in the current period was to recognise a loss of RMB3,838,000 (2010: RMB3,838,000).

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

The impact of other developments are discussed below:

- IAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. IAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. The amendment does not have any material impact for the Group.
- Improvements to IFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in IFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments in note 40 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

(d) 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.

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 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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. 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(q) or 2(r) depending on the nature of the liability.

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. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

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.

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(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 2(e)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(n)), 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(aa)).

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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(aa)). 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(f) and 2(n)). 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.

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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and jointly controlled entities (continued)

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(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(e)).

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

(f) 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(n)).

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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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(w)(ii) and 2(w)(iii).

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

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(n)).

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(w)(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(w)(iii). When these investments are derecognised or impaired (see note 2(n)), the cumulative gain or loss is reclassified from equity to profit or loss.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(h) 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.

(i) 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.

(j) 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(n)).

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(z)).

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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment (continued)

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.

(k) 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(n)). 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(z)).

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(j).

(l) Intangible assets (other than goodwill)

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

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Intangible assets (other than goodwill) (continued)

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.

(m) 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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leased assets (continued)

(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(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(n). 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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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 the end of each reporting period 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(e))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(n)(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(n)(ii).

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of assets (continued)

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

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets 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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of assets (continued)

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

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

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

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

(ii) *Impairment of other assets*

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

- property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under an operating lease;
- intangible assets; and
- goodwill.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of assets (continued)

(ii) *Impairment of other assets (continued)*

- Reversals of impairment losses

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

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

(iii) *Interim financial reporting and impairment*

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

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Inventories

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

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

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

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

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

(p) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(n)), 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.

(q) 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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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(v)(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.

(s) 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.

(t) 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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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.

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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (continued)

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

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

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

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

- in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(v)(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(v)(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(v)(iii).

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(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.

(w) 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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue recognition (continued)

(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.

(x) Repairs and maintenance

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

(y) 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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Translation of foreign currencies (continued)

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.

(z) 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.

(aa) 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.

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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are 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.

(bb) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) Related parties (continued)

- (b) An entity is related to the Group if any of the following conditions applies: (continued)
- (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(cc) 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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 40 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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

3 ACCOUNTING JUDGEMENT AND ESTIMATES (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.

4 BUSINESS COMBINATIONS

(a) Guiyang Conch Panjiang Cement Co., Ltd (“Guiyang Conch”), Guiding Conch Panjiang Cement Co., Ltd (“Guiding Conch”) and Zunyi Conch Panjiang Cement Co., Ltd (“Zunyi Conch”)

Pursuant to the resolutions passed at the shareholders’ meetings of Guiyang Conch, Guiding Conch and Zunyi Conch on 31 May 2011, the Articles of Association of these companies have been amended on 31 May 2011 such that the Company obtained 60% board representation and voting rights (originally 50%) and hence control over Guiyang Conch, Guiding Conch and Zunyi Conch, which were previously joint controlled entities of the Company.

As a result, Guiyang Conch, Guiding Conch and Zunyi Conch have been accounted for as subsidiaries and consolidated in the Group’s consolidated financial statements with effect from 31 May 2011.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

4 BUSINESS COMBINATIONS (CONTINUED)

(a) Guiyang Conch Panjiang Cement Co., Ltd (“Guiyang Conch”), Guiding Conch Panjiang Cement Co., Ltd (“Guiding Conch”) and Zunyi Conch Panjiang Cement Co., Ltd (“Zunyi Conch”) (continued)

During the period from the acquisition date to 31 December 2011, Guiyang Conch, Guiding Conch and Zunyi Conch contributed an aggregate revenue of RMB646,279,000 and an aggregate profit of RMB115,475,000 to the Group’s results. If the acquisitions had occurred on 1 January 2011, management estimates that the consolidated revenue for the year ended 31 December 2011 would have been RMB49,014,752,000, and the consolidated profit for the year would have been RMB11,832,808,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisitions would remain the same even if the acquisitions had occurred on 1 January 2011.

Fair value of identifiable assets acquired and liabilities assumed:

	RMB’000
Property, plant and equipment	1,623,285
Lease prepayments	272,618
Inventories	66,027
Trade receivables, prepayments and other receivables	123,177
Bank deposits with maturity over three months	151,000
Cash and cash equivalents	363,357
Trade payables and other liabilities	(294,980)
Other borrowings	(640,000)
Deferred tax liabilities	(26,247)
Total net identifiable assets of the acquirees	1,638,237

Goodwill

As no consideration was transferred in the above business combinations, the Company uses the fair value of its previously held interests in Guiyang Conch, Guiding Conch and Zunyi Conch at the acquisition date to determine the amount of goodwill.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

4 BUSINESS COMBINATIONS (CONTINUED)

- (a) **Guiyang Conch Panjiang Cement Co., Ltd (“Guiyang Conch”), Guiding Conch Panjiang Cement Co., Ltd (“Guiding Conch”) and Zunyi Conch Panjiang Cement Co., Ltd (“Zunyi Conch”) (continued)**

Goodwill (continued)

Goodwill has been recognised as a result of the above acquisitions as follows:

	RMB'000
Fair value of equity interest in the acquirees	842,344
Non-controlling interests, based on their proportionate interest in recognised amount of the assets and liabilities of the acquirees	819,118
Fair value of identifiable net assets	(1,638,237)
Goodwill arising from the above business combinations	23,225

The remeasurement to fair value of the Group’s 50% interests in the acquirees resulted in a gain of RMB62,595,000, which has been recognised in other net income in the consolidated financial statements.

- (b) **Other acquisition of subsidiaries**

Apart from those mentioned in note 4(a), the Group also acquired seven subsidiaries from independent third parties during the year. The acquired subsidiaries are established in the PRC and are principally engaged in the manufacture and sale of clinkers and cement related products.

During the periods from the respective dates of acquisition to 31 December 2011, these acquired subsidiaries contributed an aggregate revenue of RMB278,109,000 and an aggregate loss of RMB26,860,000 to the Group’s results. If the acquisitions had occurred on 1 January 2011, management estimates that the consolidated revenue for the year ended 31 December 2011 would have been RMB49,827,870,000, and the consolidated profit for the year would have been RMB11,632,555,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the respective dates of acquisition would remain the same even if the acquisitions had all occurred on 1 January 2011.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

4 BUSINESS COMBINATIONS (CONTINUED)

(b) Other acquisition of subsidiaries (continued)

Summary of net assets acquired in the above acquisitions, and the goodwill/bargain purchase gain arising, are as follows:

Fair value of identifiable assets acquired and liabilities assumed:

	RMB'000
Property, plant and equipment	2,828,094
Lease prepayments	176,764
Intangible assets	278,655
Inventories	141,507
Cash and cash equivalents	266,565
Restricted cash deposits	6,500
Trade and other receivables	275,402
Deferred tax assets	22,430
Banks loans and other borrowings	(417,800)
Trade payables and other liabilities	(1,908,067)
Deferred tax liabilities	(118,663)
Total net identifiable assets	1,551,387

Goodwill/(bargain purchase gain) has been recognised as a result of the above acquisitions as follows:

	RMB'000
Total consideration transferred	1,319,248
Non-controlling interests, based on their proportionate interest in recognised amount of the assets and liabilities of the acquirees	271,452
Fair value of identifiable net assets	(1,551,387)
	39,313
Goodwill arising from the above business combinations	40,348
Bargain purchase gain	(1,035)
	39,313

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are manufacture and sale 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:

	2011 RMB'000	2010 RMB'000
Sales of clinkers and cement products	48,146,857	34,036,282
Sales of materials and other products	167,934	214,925
Service income	339,018	257,075
	48,653,809	34,508,282

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

Further details regarding the Group's principal activities are discussed below:

(b) 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 five reportable segments based on the region in which the Group's business operates: East China, Central China, South China, West China and Overseas. 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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) 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 sales are priced with reference to prices charged to external parties for similar orders.

12. Financial Statements prepared in accordance with International Financial Reporting standards

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(Expressed in Renminbi Yuan unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) 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 2011 and 2010 is set out below:

For the year ended 31 December 2011

	East China RMB'000	Central China RMB'000	South China RMB'000	West China RMB'000	Overseas RMB'000	Subtotal RMB'000	Reconciling items (note b (ii)) RMB'000	Total RMB'000
Revenue from external customers	16,508,317	19,617,225	8,231,996	4,296,271	-	48,653,809	-	48,653,809
Inter-segment revenue	1,114,665	10,161,930	160,475	14,772	-	11,451,842	(11,451,842)	-
Reportable segment revenue	17,622,982	29,779,155	8,392,471	4,311,043	-	60,105,651	(11,451,842)	48,653,809
Reportable segment profit (Profit before taxation)	2,618,770	12,227,019	2,326,589	518,425	-	17,690,803	(1,991,511)	15,699,292
Interest income	8,866	317,404	3,342	4,291	-	333,903	(105,684)	228,219
Interest expense	(129,972)	(616,648)	(98,390)	(122,458)	-	(967,468)	92,838	(874,630)
Depreciation and amortisation for the year	(360,185)	(1,381,704)	(422,690)	(406,478)	-	(2,571,057)	-	(2,571,057)
Impairment of property, plant and equipment	(5,546)	-	-	-	-	(5,546)	-	(5,546)
Reportable segment assets (including investment in associates and joint ventures)	11,851,737	58,557,828	10,661,628	16,970,456	1,559	98,043,208	(14,039,792)	84,003,416
Additions to non-current segment assets during the year	702,211	5,233,685	1,527,304	7,406,750	-	14,869,950	-	14,869,950
Reportable segment liabilities	6,722,164	20,183,740	3,035,757	10,731,061	1,559	40,674,281	(3,119,691)	37,554,590

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Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

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 (ii)) RMB'000 (Restated)	Total RMB'000 (Restated)
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	(1,636,784)	8,111,622
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	(10,776,219)	60,407,154
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

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment revenues, profit, assets and liabilities

	2011 RMB'000	2010 RMB'000
Revenue		
Elimination of inter-segment revenue	(11,451,842)	(8,287,304)
	2011 RMB'000	2010 RMB'000 (Restated)
Profit		
Elimination of inter-segment profits	(2,038,609)	(1,670,074)
Difference between PRC accounting standards and IFRS*	47,098	33,290
	(1,991,511)	(1,636,784)
	2011 RMB'000	2010 RMB'000 (Restated)
Assets		
Elimination of inter-segment balances	(14,039,792)	(10,771,519)
Difference between PRC accounting standards and IFRS*	-	(4,700)
	(14,039,792)	(10,776,219)

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment revenues, profit, assets and liabilities (continued)

	2011 RMB'000	2010 RMB'000
Liabilities		
Elimination of inter-segment balances	(3,512,585)	(2,247,472)
Difference between PRC accounting standards and IFRS*	392,894	377,945
	(3,119,691)	(1,869,527)

* The difference arises from deferred income in respect of certain government grants recognised under IFRS.

(iii) Geographic information

The following table sets out information about the geographical 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 locations 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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000 (Restated)
The PRC	47,659,973	32,821,384	53,760,206	42,959,734
Others	993,836	1,686,898	-	-
	48,653,809	34,508,282	53,760,206	42,959,734

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

6 OTHER REVENUE AND NET INCOME/(LOSS)

	2011 RMB'000	2010 RMB'000
Other revenue		
Interest income	228,219	44,901
Subsidy income	648,815	461,992
	877,034	506,893

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

	Note	2011 RMB'000	2010 RMB'000
Other net income/(loss)			
Remeasurement to fair value of pre-existing interest in acquiree	4(a)	62,595	-
Net gain/(loss) on disposal of fixed assets		30,951	(10,351)
Net realised and unrealised losses on trading securities		(2,922)	-
Changes in fair value of forward contracts		(347)	1,753
Available-for-sale securities: reclassified from equity on disposal		22,748	-
Net exchange gain/(loss)		20,944	(7,591)
Others		16,833	10,808
		150,802	(5,381)

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

7 PROFIT BEFORE TAXATION

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

	2011 RMB'000	2010 RMB'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	967,463	579,274
Interest on bank advances and other borrowings wholly repayable after five years	81,174	58,720
Finance charges on obligations under finance leases	7,509	656
Interest on discount of notes receivable	1,351	28,977
Total interest expense on financial liabilities not at fair value through profit or loss	1,057,497	667,627
Less: Interest expense capitalised into construction-in-progress*	(182,867)	(153,470)
	874,630	514,157

* The borrowing costs have been capitalised at rates of 4.69%~6.21% (2010: 4.69%~6.80%) per annum.

	2011 RMB'000	2010 RMB'000
(b) Staff costs		
Contributions to defined contribution retirement plans	213,587	142,580
Salaries, wages and other benefits	1,946,439	1,334,277
	2,160,026	1,476,857

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

7 PROFIT BEFORE TAXATION (CONTINUED)

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

	Note	2011 RMB'000	2010 RMB'000 (Restated)
(c) Other items			
Recognition of deferred income	38	(49,292)	(33,700)
Amortisation			
– interest in leasehold land held for own use under operating leases	15(a)	45,268	46,982
– intangible assets	16(a)	58,473	30,045
Depreciation	14(a)	2,467,316	1,942,300
Impairment losses/(reversal of impairment losses)			
– trade receivables	25(b)	(42)	(3,411)
– prepayments and other receivables		(22)	238
– property, plant and equipment	14(a)	5,546	40,635
Auditors' remuneration			
– audit services		4,840	4,240
– other services		10	10

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2011 RMB'000	2010 RMB'000
Current tax-PRC Corporate Income Tax		
Provision for the year	3,891,918	1,777,537
(Over)/under-provision in respect of prior years	(22,090)	12,575
	3,869,828	1,790,112
Deferred tax		
Origination and reversal of temporary differences	10,437	(20,021)
	3,880,265	1,770,091

No provision for Hong Kong Profits Tax is made for 2010 and 2011 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

Individual companies within the Group are generally subject to Corporate Income Tax at 25% (2010: 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)	24%
Shanghai Mingzhu Conch Cement Co., Ltd 上海海螺明珠水泥有限責任公司(Note i)	24%
Shanghai Conch Construction Material International Trading Co., Ltd. 上海海螺建材國際貿易有限公司(Note i)	24%

Notes:

- (i) Started 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 2011 is therefore 24% (2010: 22%).

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

	2011 RMB'000	2010 RMB'000 (Restated)
Profit before taxation	15,699,292	8,111,622
Notional tax on profit before taxation calculated at 25% (2010: 25%)	3,924,823	2,027,905
Tax effect of tax exemption enjoyed by subsidiaries	-	(150,737)
Tax effect of subsidiaries subject to tax rates other than 25%	(1,189)	(145,998)
Tax effect of non-deductible expenses	10,152	39,523
Tax effect of non-taxable income	(35,058)	(21,073)
Tax effect of unused tax losses not recognised	3,627	7,896
(Over)/under-provision in respect of prior years	(22,090)	12,575
Actual tax expense	3,880,265	1,770,091

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

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9 DIRECTORS' REMUNERATION

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

	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement plan contributions	2011 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Guo Wensan*	-	-	-	-	-
Executive directors					
Ji Qinying	-	164	805	19	988
Qi Shengli (resigned on 28 March 2011)	-	24	-	3	27
Zhang Mingjing (appointed on 31 May 2011)	-	88	945	12	1,045
Guo Jingbin*	-	-	-	-	-
Wu Jianping	-	-	639	-	639
Independent non-executive directors					
Kang Woon	-	100	-	-	100
Ding Meicai*	-	-	-	-	-
Chan Yuk Tong	-	100	-	-	100
Supervisors					
Wang Jun*	-	-	-	-	-
Wang Yanmou	-	100	-	-	100
Ding Feng	-	135	567	18	720
	-	711	2,956	52	3,719

* 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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

9 DIRECTORS' REMUNERATION (CONTINUED)

	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement plan contributions	2010 Total
	RMB'000	RMB'000	RMB'000	RMB'000	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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2010: one) is a director whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other four (2010: four) individuals are as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other emoluments	672	582
Discretionary bonuses	4,385	2,953
Retirement plan contributions	77	65
	5,134	3,600

The emoluments of the four (2010: four) individuals with the highest emoluments are within the following bands:

	2011 Number of individuals	2010 Number of individuals
Nil – HK\$1,000,000 (equivalent to RMB810,700)	–	2
HK\$1,000,001 (equivalent to RMB810,701)		
– HK\$1,500,000 (equivalent to RMB1,216,050)	2	2
HK\$1,500,001 (equivalent to RMB1,216,051)		
– HK\$2,000,000 (equivalent to RMB1,621,400)	2	–

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Notes to the financial statements

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11 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB841,343,000 (2010 (Restated): RMB245,868,000) 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:

	2011 RMB'000	2010 RMB'000 (Restated)
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	841,343	245,868
Final dividends from subsidiaries and a jointly controlled entity attributable to the profits of the previous financial year, approved and paid during the year:		
– From subsidiaries	5,720,365	3,535,038
– From a jointly controlled entity	–	4,173
Company's profit for the year (note 39(a))	6,561,708	3,785,079

Details of dividends paid and payable to equity shareholders of the Company are set out in note 39(b).

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

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12 OTHER COMPREHENSIVE INCOME

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

	2011			2010		
	Before-tax		Net-of-tax	Before-tax		Net-of-tax
	amount	Tax expense	amount	amount	Tax expense	amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale equity securities: net movement in fair value reserve	(931,557)	232,889	(698,668)	882,907	(220,727)	662,180
Other comprehensive income	(931,557)	232,889	(698,668)	882,907	(220,727)	662,180

(b) Components of other comprehensive income, including reclassification adjustments

	2011	2010
	RMB'000	RMB'000
Available-for-sale equity securities		
Changes in fair value recognised during the year	(908,809)	882,907
Net deferred tax credited/(charged) to comprehensive income	232,889	(220,727)
Reclassification adjustments for amounts transferred to profit or loss due to disposal	(22,748)	–
Net movement in the fair value reserve during the year recognised in other comprehensive income	(698,668)	662,180

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

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13 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 2011 of RMB11,586,382,000 (2010 (Restated): RMB6,159,643,000) and the weighted average number of shares in issue during the year ended 31 December 2011 of 5,299,303,000 (2010: RMB5,299,303,000 after adjustment for the capitalisation issue in 2011).

Weighted average number of ordinary shares

	2011 thousand	2010 thousand
Issued ordinary shares at 1 January	3,532,868	1,766,435
Effect of capitalisation issue (note 39(c)(ii))	1,766,435	3,532,868
Weighted average number of ordinary shares at 31 December	5,299,303	5,299,303

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the years ended 31 December 2011 and 2010.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

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14 PROPERTY, PLANT AND EQUIPMENT

(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	Total RMB'000
Cost:						
At 1 January 2010	12,584,845	20,423,113	444,916	673,056	5,917,016	40,042,946
Additions	14,806	321,231	18,224	193,283	9,048,012	9,595,556
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)
At 31 December 2010	16,758,405	25,051,904	532,485	851,419	6,366,672	49,560,885
At 1 January 2011	16,758,405	25,051,904	532,485	851,419	6,366,672	49,560,885
Acquisition through business combinations	1,735,234	2,311,336	6,733	34,030	364,046	4,451,379
Other additions	56,958	431,511	37,786	311,167	6,889,837	7,727,259
Transfer from construction-in- progress	3,352,785	4,494,415	3,424	936	(7,851,560)	-
Disposals	(43,554)	(164,227)	(904)	(26,164)	-	(234,849)
At 31 December 2011	21,859,828	32,124,939	579,524	1,171,388	5,768,995	61,504,674

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

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14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The Group (continued)

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction- in-progress RMB'000	Total RMB'000
Accumulated depreciation and impairment:						
At 1 January 2010	1,974,569	5,767,802	368,240	405,899	-	8,516,510
Charge for the year	450,769	1,370,680	36,775	84,076	-	1,942,300
Impairment loss	6,353	34,279	3	-	-	40,635
Written back on disposals	(725)	(43,408)	(106)	(12,822)	-	(57,061)
At 31 December 2010	2,430,966	7,129,353	404,912	477,153	-	10,442,384
At 1 January 2011	2,430,966	7,129,353	404,912	477,153	-	10,442,384
Charge for the year	603,872	1,704,136	30,268	129,040	-	2,467,316
Impairment loss	5,546	-	-	-	-	5,546
Written back on disposals	(31,192)	(158,736)	(771)	(23,816)	-	(214,515)
At 31 December 2011	3,009,192	8,674,753	434,409	582,377	-	12,700,731
Net book value:						
At 31 December 2011	18,850,636	23,450,186	145,115	589,011	5,768,995	48,803,943
At 31 December 2010	14,327,439	17,922,551	127,573	374,266	6,366,672	39,118,501

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The Group (continued)

- (i) In 2011, the Group disposed of certain buildings held for own use and plant and machinery amounted to RMB9,057,000 and RMB28,756,000 respectively (2010: nil). These assets were fully written down to their estimated residual values in previous years.
- (ii) As at 31 December 2011, the carrying amount of property, plant and equipment pledged as security against the Group's non-current borrowings of RMB769,500,000 (2010: RMB650,000,000) and current borrowings of RMB80,800,000 (2010: nil) amounted to approximately RMB849,515,000 (2010: RMB478,323,000).
- (iii) During 2010, the Group entered into sales and leaseback agreements with a finance lease company, an independent third party. The agreements are for a period of three years. At the end of the respective lease terms, the Group will have the option to purchase the leased plant and machinery at a nominal value of RMB1. None of the leases includes contingent rentals.

The sales and leaseback transactions resulted in deferred gains on disposal of the related plant and machinery which were leased back and recorded as the Group's additions to plant and machinery of RMB177,478,000 in 2010. As at 31 December 2011, the net book value of plant and machinery held under the above transactions of the Group was RMB165,251,000 (2010: RMB176,491,000).

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Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

14 PROPERTY, PLANT AND EQUIPMENT (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	Total RMB'000
Cost:						
At 1 January 2010	519,815	993,235	11,025	28,824	22,080	1,574,979
Additions	-	7,822	2,085	18,770	58,105	86,782
Transfer from construction-in- progress	2,196	2,754	-	-	(4,950)	-
Disposals	-	(38,003)	-	(1,771)	-	(39,774)
At 31 December 2010	522,011	965,808	13,110	45,823	75,235	1,621,987
At 1 January 2011	522,011	965,808	13,110	45,823	75,235	1,621,987
Additions	7,387	7,365	967	6,527	36,412	58,658
Transfer from construction-in- progress	7,826	56,044	204	-	(64,074)	-
Disposals	(37,511)	(138,453)	(613)	(10,262)	-	(186,839)
At 31 December 2011	499,713	890,764	13,668	42,088	47,573	1,493,806

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14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) The Company (continued)

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction- in-progress RMB'000	Total RMB'000
Accumulated depreciation and impairment:						
At 1 January 2010	163,364	409,038	9,033	21,528	-	602,963
Charge for the year	21,748	57,393	755	2,372	-	82,268
Impairment loss	1,951	580	-	-	-	2,531
Written back on disposals	-	(33,503)	-	(1,459)	-	(34,962)
At 31 December 2010	187,063	433,508	9,788	22,441	-	652,800
At 1 January 2011	187,063	433,508	9,788	22,441	-	652,800
Charge for the year	22,866	70,034	936	5,360	-	99,196
Written back on disposals	(29,288)	(135,267)	(501)	(9,926)	-	(174,982)
At 31 December 2011	180,641	368,275	10,223	17,875	-	577,014
Net book value:						
At 31 December 2011	319,072	522,489	3,445	24,213	47,573	916,792
At 31 December 2010	334,948	532,300	3,322	23,382	75,235	969,187

In 2011, the Company disposed of certain previously written down buildings held for own use and plant and machinery, and reversed impairment losses of RMB8,974,000 and RMB18,920,000 respectively (2010: nil).

As at 31 December 2011, the carrying amount of property, plant, and equipment pledged as security against the Company's non-current borrowings of RMB650,000,000 (2010: RMB650,000,000) amounted to approximately RMB420,302,000 (2010: RMB478,323,000).

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15 LEASE PREPAYMENTS

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

(a) The Group

	Interest in leasehold land held for own use under operating leases RMB'000
Cost:	
At 1 January 2010 (Restated)	1,824,257
Additions	463,939
At 31 December 2010 (Restated)	2,288,196
At 1 January 2011 (Restated)	2,288,196
Acquisitions through business combination	449,382
Additions	257,063
At 31 December 2011	2,994,641
Accumulated amortisation and impairment:	
At 1 January 2010 (Restated)	221,048
Charge for the year (Restated)	46,982
At 31 December 2010 (Restated)	268,030
At 1 January 2011 (Restated)	268,030
Charge for the year	45,268
At 31 December 2011	313,298
Net book value:	
At 31 December 2011	2,681,343
At 31 December 2010 (Restated)	2,020,166

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(Expressed in Renminbi Yuan unless otherwise indicated)

15 LEASE PREPAYMENTS (CONTINUED)

(a) The Group (continued)

As at 31 December 2011, the carrying amount of interest in leasehold land held for own use under operating leases pledged as security against the Group's non-current loans and other borrowings of RMB735,500,000 (2010: RMB650,000,000) amounted to approximately RMB205,447,000 (2010: RMB191,542,000).

As at 31 December 2011, application for the registration of interest in leasehold land acquired for own use under operating leases with cost of approximately RMB160,525,000 (2010: RMB104,423,000) was still in progress.

(b) The Company

	Interest in leasehold land held for own use under operating leases
	RMB'000
Cost:	
At 1 January 2010, 31 December 2010 and 1 January 2011 (Restated)	251,208
Disposals	(10,505)
At 31 December 2011	240,703
Accumulated amortisation and impairment:	
At 1 January 2010 (Restated)	54,634
Charge for the year (Restated)	5,032
At 31 December 2010 (Restated)	59,666
At 1 January 2011 (Restated)	59,666
Charge for the year	1,618
Written back on disposals	(3,012)
At 31 December 2011	58,272
Net book value:	
At 31 December 2011	182,431
At 31 December 2010 (Restated)	191,542

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15 LEASE PREPAYMENTS (CONTINUED)

(b) The Company (continued)

As at 31 December 2011, the carrying amount of interest in leasehold land for own use under operating leases pledged as security against the Company's non-current borrowings of RMB650,000,000 (2010: RMB650,000,000) amounted to approximately RMB182,431,000 (2010: RMB191,542,000).

16 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 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
At 1 January 2011	863,704	32,113	1,678	897,495
Acquisitions through business combination	278,524	131	-	278,655
Additions	793,965	535	117	794,617
At 31 December 2011	1,936,193	32,779	1,795	1,970,767
Accumulated amortisation:				
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
At 1 January 2011	110,168	4,750	822	115,740
Charge for the year	57,069	1,185	219	58,473
At 31 December 2011	167,237	5,935	1,041	174,213
Net book value:				
At 31 December 2011	1,768,956	26,844	754	1,796,554
At 31 December 2010	753,536	27,363	856	781,755

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

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Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

16 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 2011, application for the registration of limestone mining rights with cost of approximately RMB609,666,000 (2010: RMB32,221,000) was still in progress.

As at 31 December 2011, application for the registration of clay mining rights with cost of approximately RMB642,000 (2010: RMB642,000) was still in progress.

(b) The Company

	Limestone mining rights RMB'000
Cost:	
At 1 January 2010	27,516
Additions	31,040
At 31 December 2010	58,556
At 1 January 2011	58,556
Additions	62,415
At 31 December 2011	120,971

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16 INTANGIBLE ASSETS (CONTINUED)

(b) The Company (continued)

	Limestone mining rights RMB'000
Accumulated amortisation:	
At 1 January 2010	9,102
Charge for the year	3,358
At 31 December 2010	12,460
At 1 January 2011	12,460
Charge for the year	7,150
At 31 December 2011	19,610
Net book value:	
At 31 December 2011	101,361
At 31 December 2010	46,096

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

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17 GOODWILL

	Note	The Group	
		2011 RMB'000	2010 RMB'000
Carrying amount:			
At 1 January		16,120	16,120
Acquisitions through business combinations	4	63,573	–
At 31 December		79,693	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 five-year period approved by management and pre-tax discount rate of 12.88% that reflects current market assessment of the time value of money and specific risks relating to the Group.

18 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	29,889,749	28,035,338
Less: impairment	(47,500)	(47,500)
	29,842,249	27,987,838

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The particulars of subsidiaries, which are either limited liability companies or joint stock limited companies established and operating in the PRC, at 31 December 2011 are as follows (United States dollars referred to as “USD”):

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
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

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Shanghai Conch Cement Co., Ltd. ("Shanghai Conch") 上海海螺水泥有限公司	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") 上海海螺水泥销售有限公司	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公司	RMB 14,000,000	76%	76%	-	Manufacture and sale of clinker and cement products

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Anhui Zongyang Conch Cement Co., Ltd. ("Zongyang Conch") 安徽縱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
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") 泰州海螺水泥有限公司	RMB 11,520,000	93.75%	93.75%	–	Inactive
Bengbu Conch Cement Co., Ltd. ("Bengbu Conch") 蚌埠海螺水泥有限公司	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") 分宜海螺水泥有限公司	RMB 110,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Shangyu Conch Cement Co., Ltd. ("Shangyu Conch") 上虞海螺水泥有限公司	RMB 16,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Jiande Conch Cement Co., Ltd. ("Jiande Conch") 建德海螺水泥有限公司	RMB 200,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Jiangxi Lushan Conch Cement Co., Ltd. ("Lushan Conch") 江西廬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

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
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
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

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
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
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

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
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
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

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Zhanjiang Conch Cement Co., Ltd. ("Zhanjiang Conch") 湛江海螺水泥有限公司	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") 弋陽海螺水泥有限公司	RMB 457,500,000	100%	100%	-	Manufacture and sale of clinker and cement products
Shimen Conch Cement Co., Ltd. ("Shimen Conch") 石門海螺水泥有限公司	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

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
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 53,554,100	100%	100%	–	Manufacture and sale of cement packaging
Shanghai Conch Logistic Co., Ltd. ("Shanghai Logistic") 上海海螺物流有限公司	RMB 10,000,000	100%	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
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

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
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
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

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
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
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

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
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
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

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
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
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

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
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
Guigyang Conch 貴陽海螺盤江水泥 有限公司 (note 4(a))	RMB 480,000,000	50%	50%	–	Manufacture and sale of clinker and cement products
Guiding Conch 貴定海螺盤江水泥 有限公司 (note 4(a))	RMB 460,000,000	50%	50%	–	Manufacture and sale of clinker and cement products

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Zunyi Conch 遵義海螺盤江水泥 有限公司(note 4(a))	RMB 530,000,000	50%	50%	–	Manufacture and sale of clinker and cement products
Yunnan Zhuangxiang Cement Co., Ltd. ("Zhuangxiang Conch") 雲南壯鄉水泥股份 有限公司	RMB 50,000,000	100%	99%	1%	Manufacture and sale of clinkers and cement products
Baoshan Conch Cement Co., Ltd. ("Baoshan Conch") 保山海螺水泥 有限公司	RMB 300,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guangxi Sihegongmao Co., Ltd. ("Sihegongmao") 廣西四合工貿 有限責任公司	RMB 120,000,000	80%	80%	–	Manufacture and sale of clinker and cement products
Anhui Conch Siam Refractory Material Co., Ltd. ("Refractory Material") 安徽海螺暹羅耐火材料 有限公司	RMB 100,000,000	70%	70%	–	Manufacture and sale of refractory material
Tongren Conch Cement Co., Ltd. ("Tongren Conch") 銅仁海螺水泥有限 有限公司	RMB 255,000,000	51%	51%	–	Manufacture and sale of clinker and cement products

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Baoji Zhongxi Fenghuangshan Cement Co., Ltd. ("Fenghuangshan") 寶雞眾喜鳳凰山水泥有限公司	RMB 58,800,000	100%	100%	-	Manufacture and sale of clinker and cement products
Baoji Conch Cement Co., Ltd. ("Baoji Conch") 寶雞海螺水泥有限責任公司	RMB 50,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Baoji Zhongxi Jinlinghe Cement Co., Ltd. ("Jinlinghe") 寶雞眾喜金陵河水泥有限公司	RMB 112,376,000	100%	100%	-	Manufacture and sale of clinker and cement products
Qianxian Conch Cement Co., Ltd. ("Qianxian Conch") 乾縣海螺水泥有限責任公司	RMB 800,000	100%	100%	-	Manufacture and sale of clinker and cement products
Guizhou Liukuanguan Cement Co., Ltd. ("Liukuanguan") 貴州六礦瑞安水泥有限公司	RMB 477,450,000	51%	51%	-	Manufacture and sale of clinker and cement products
Liangping Conch Cement Co., Ltd. ("Liangping Conch") 梁平海螺有限責任公司	RMB 300,000,000	100%	100%	-	Manufacture and sale of clinker and cement products
Qianxinan Resource Development Co., Ltd. ("Qianxinan") 黔西南州資源開發有限公司	RMB 9,800,000	51%	51%	-	Manufacture and sale of clinker and cement products

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18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The particulars of subsidiaries, which are limited liability companies established in the Republic of Indonesia, at 31 December 2011 are as follows (United States dollars referred to as "USD"):

Name of company	Particulars of issued capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
PT Conch Cement Indonesia operation 印尼海螺水泥有限公司	USD 6,500,000	75%	75%	-	Not yet commenced
PT Conch South Kalimantan Cement operation 南加裡曼丹海螺水泥有限公司	USD 6,500,000	71.25%	71.25%	-	Not yet commenced

19 INTEREST IN ASSOCIATES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	-	-	157,429	157,429
Share of net assets	160,454	159,590	-	-
	160,454	159,590	157,429	157,429

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19 INTEREST IN ASSOCIATES (CONTINUED)

The particulars of the associates, all of which are unlisted and operating in the PRC, at 31 December 2011 are as follows (United States dollars referred to as "USD"):

Name of associate	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by an associate	
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 2011.

Summary financial information on associates – 100 percent

	Assets	Liabilities	Equity	Revenue	Profit
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2011					
King Bridge Cement	140,754	9,568	131,186	100,783	2,159
Fusui Conch	217,508	12,901	204,607	–	–
Xingye Conch	207,090	3,065	204,025	–	–
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	–	–

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20 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	–	–	179,347	809,000
Share of net assets	238,219	863,602	–	–
	238,219	863,602	179,347	809,000

Details of the Group's interests in the jointly controlled entity, which is unlisted and operating in the PRC, at 31 December 2011 are as follows:

Name of joint venture	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
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	RMB348,000,000	50%	50%	–	Provision of installation and repair services of machinery

The previous jointly controlled entities of the Group, i.e. Guiyang Conch, Guiding Conch and Zunyi Conch, have become subsidiaries of the Group since 31 May 2011. Please see note 4 (a) for details.

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20 INTEREST IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

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

	2011 RMB'000	2010 RMB'000
Non-current assets	83,508	958,474
Current assets	279,867	443,440
Non-current liabilities	–	(324,700)
Current liabilities	(146,378)	(213,612)
Net assets	216,997	863,602
Income	371,601	354,626
Expenses	(321,935)	(303,847)
Profit for the year	49,666	50,779
Unrealised profit	(23,457)	(23,752)
Share of profits of jointly controlled entities	26,209	27,027

21 LOANS AND RECEIVABLES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Loans and receivables	586,726	335,774	300,000	–
Less: Current portion of loans and receivables (note 26)	(245,866)	(225,558)	–	–
	340,860	110,216	300,000	–

As at 31 December 2011, loans and receivables of the Group represent advances made to local government authorities of which RMB350,500,000 (2010: RMB327,174,000) are unsecured, bear interest at rates of 5.40% to 7.56% (2010: 5.31% to 7.56%) per annum, and repayable in 2012 to 2016. The remaining balance of RMB236,226,000 (2010: RMB8,600,000) is unsecured, interest free and repayable in 2012 and 2013.

As at 31 December 2011, loans and receivables of the Company represent loans to subsidiaries, which bear interest at a rate of 6.9% per annum and are repayable in 2016.

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22 AVAILABLE-FOR-SALE EQUITY SECURITIES

	The Group and the Company	
	2011 RMB'000	2010 RMB'000
Available-for-sale equity securities		
– Listed in the PRC	3,578,852	3,754,675

All available-for-sale equity securities held by the Group and the Company are listed either on the Shanghai Stock Exchange (“SSE”) or the Shenzhen Stock Exchange (“SZSE”). The fair value of these investments is measured with reference to the respective quoted market prices as at 31 December 2011.

23 INVENTORIES

(a) Inventories in the balance sheets comprise:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Raw materials	2,248,602	1,219,512	167,036	57,576
Work in progress	171,135	169,318	3,891	3,552
Finished goods	1,617,058	847,854	37,210	53,336
Spare parts	341,628	256,444	82,833	71,061
	4,378,423	2,493,128	290,970	185,525

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

	The Group	
	2011 RMB'000	2010 RMB'000
Carrying amount of inventories recognised as expenses	28,907,033	23,130,625
Write down of inventories	–	2,961
	28,907,033	23,133,586

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24 OTHER INVESTMENTS

	The Group and the Company	
	2011 RMB'000	2010 RMB'000
Listed equity securities at fair value		
– Listed in the PRC	75,897	–

All trading securities held by the Group are listed on the SSE. The fair value of these investments is measured with reference to the respective quoted market prices as at 31 December 2011.

25 TRADE RECEIVABLES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Trade receivables	351,808	495,207	24,175	24,034
Less: allowance for doubtful debts (note 25(b))	(9,898)	(9,940)	(434)	(434)
	341,910	485,267	23,741	23,600
Bank acceptance notes receivable	10,596,838	5,907,874	2,209,068	1,259,476
Commercial acceptance notes receivable	–	10,419	–	–
	10,938,748	6,403,560	2,232,809	1,283,076

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

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25 TRADE RECEIVABLES (CONTINUED)

(a) Ageing analysis

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

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Current or overdue within 60 days (inclusive)	10,938,748	6,403,560	2,232,809	1,283,076

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 40(a).

- (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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Within 1 year (inclusive)	10,938,748	6,403,560	2,232,809	1,283,076

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25 TRADE RECEIVABLES (CONTINUED)

(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(n)(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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
At 1 January	9,940	13,910	434	3,828
Impairment loss reversed	(42)	(3,411)	–	(3,394)
Uncollectible amounts written off	–	(559)	–	–
At 31 December	9,898	9,940	434	434

At 31 December 2011, none of the Group's and the Company's trade receivables were individually determined to be impaired (2010: RMB162,000 and RMB102,000 respectively).

(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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Neither past due nor impaired	10,883,565	6,388,843	2,232,628	1,279,846
Overdue within 60 days (inclusive)	55,183	14,717	181	3,230
	10,938,748	6,403,560	2,232,809	1,283,076

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25 TRADE RECEIVABLES (CONTINUED)

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

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.

26 PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Purchase prepayments	609,910	464,719	141,308	101,444
Current portion of loans and receivables (note 21)	245,866	225,558	–	–
Entrusted loans to third parties	750,000	–	750,000	–
Loans and receivables to subsidiaries	–	–	6,045,000	–
Value-added tax recoverable	581,097	712,672	–	–
Interest receivable	34,757	–	223,054	–
Forward exchange contracts used for economic hedges	1,406	1,753	–	–
Other receivables	181,163	121,980	12,741	11,660
	2,404,199	1,526,682	7,172,103	113,104

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

27 AMOUNTS DUE FROM/TO SUBSIDIARIES

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

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28 AMOUNTS DUE FROM/TO RELATED PARTIES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 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	208,961	128,156	–	–
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	21,850	78,485	–	–
Conch Kawasaki Equipment Guiding Conch	140,692	108,673	1,371	1,371
Yingde Dragon Mountain Cement Co., Ltd. (“Dragon Mountain”) 英德龍山水泥有限責任公司	–	2,868	–	–
Wuhu Conch Profiles and Science Co., Ltd. (“Conch Profiles and Science”) 蕪湖海螺型材科技股份有限公司	3,245	4,406	2,603	–
Wuhu Conch Venture Property Investment Co., Ltd. (“Conch Venture Property”) 蕪湖海創置業有限責任公司	145	1,458	–	–
Guiyang Conch	7,684	7,724	7,684	7,723
Anhui Conch Construction Materials Design Centre (“Conch Design”) 安徽海螺建材設計院	–	2,135	–	–
Wuhu Sanshan Port Co., Ltd. (“Sanshan Port”) 蕪湖三山港務有限公司	1,905	1,460	360	360
Yingde Conch Profiles Co., Ltd. (“Yingde Profiles”) 英德海螺型材有限責任公司	19	–	–	–
Zunyi Conch Panjiang Wuhu Conch New Materials Co., Ltd. (“Conch New Materials”) 蕪湖海螺新材料有限公司	–	15	–	3,549
	–	32	–	–
	5	23	–	–
	384,506	335,435	12,018	13,003

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28 AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Amounts due to:				
Conch Kawasaki Engineering	93,645	148,509	1,355	5,135
Conch Kawasaki				
Energy Conservation	92,205	86,730	–	–
Xingye Conch	56,800	56,800	56,800	56,800
Fusui Conch	41,373	41,373	41,373	41,373
Conch Kawasaki Equipment	20,842	23,574	3,125	1,475
Sanshan Port	8,565	58	–	34
Dragon Mountain	2,289	1,988	–	–
Conch New Materials	1,984	1,252	283	335
Conch Design	10,209	679	34	–
Conch Profiles and Science	1,335	427	–	9
Conch Property				
Management Co., Ltd.				
(“Conch Property Management”)				
蕪湖海螺物業管理有限公司	40	–	–	–
Anhui Conch Holdings Co., Ltd.				
(“Conch Holdings”)				
安徽海螺集團有限責任公司	7,423	5,556	59	–
	336,710	366,946	103,029	105,161

The amounts due from/to related parties mainly arose from the related party transactions as disclosed in note 43. The amounts due from/to related parties are unsecured, interest free and repayable on demand.

29 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Bank deposits with maturity within three months	833,454	206,414	670,000	5,000
Cash at bank and in hand	6,913,734	2,482,734	4,843,296	891,376
Cash and cash equivalents in the balance sheets and consolidated cash flow statement	7,747,188	2,689,148	5,513,296	896,376

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29 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Note	2011 RMB'000	2010 RMB'000 (Restated)
Profit before taxation		15,699,292	8,111,622
Adjustments for:			
Depreciation	7(c)	2,467,316	1,942,300
Reversal of impairment loss on trade and other receivables	7(c)	(64)	(3,173)
Write-down of inventories	23(b)	–	2,961
Impairment of property, plant and equipment	7(c)	5,546	40,635
Amortisation of interest in leasehold land held for own use under operating leases	7(c)	45,268	46,982
Amortisation of intangible assets	7(c)	58,473	30,045
Finance costs	7(a)	874,630	514,157
Interest income	6	(228,219)	(44,901)
Share of profits of associates		(864)	(226)
Share of gains of jointly controlled entities	20	(26,209)	(27,027)
Net (gain)/loss on disposal of fixed assets	6	(30,951)	10,351
Net realised and unrealised losses on disposal of trading securities	6	2,922	–
Changes in fair value of forward contracts	6	347	(1,753)
Reclassification from equity on disposal of available-for-sale equity securities	6	(22,748)	–
Remeasurement to fair value of pre-existing interests in jointly controlled entities	6	(62,595)	–
Bargain purchase gain	4(b)	(1,035)	–
Operating profit before changes in working capital carried forward		18,781,109	10,621,973

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29 CASH AND CASH EQUIVALENTS (CONTINUED)

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

Note	2011 RMB'000	2010 RMB'000
Operating profit before changes in working capital brought forward	18,781,109	10,621,973
Changes in working capital:		
Increase in inventories	(1,677,761)	(323,898)
Increase in trade receivables	(4,494,423)	(3,370,012)
Decrease/(increase) in prepayments and other receivables	236,184	(303,758)
Decrease in amounts due from related parties	13,770	24,474
Increase/(decrease) in trade payables	434,080	(273,020)
Increase in other payables and accruals	315,402	875,512
Increase/(decrease) in amounts due to related parties	3,705	(1,755)
Decrease in long-term payables	(11,043)	(4,097)
Increase in deferred income	4,678	46,908
Cash generated from operations	13,605,701	7,292,327

30 TRADE PAYABLES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Trade payables	5,037,909	4,001,783	1,016,945	928,827
Notes payable	41,000	-	-	200,000
	5,078,909	4,001,783	1,016,945	1,128,827

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30 TRADE PAYABLES (CONTINUED)

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

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Within 1 year (inclusive)	5,026,586	3,986,624	1,012,852	1,128,268
Between 1 year and 2 years (inclusive)	47,927	11,438	4,027	458
Between 2 years and 3 years (inclusive)	1,696	2,385	66	101
Over 3 years	2,700	1,336	-	-
	5,078,909	4,001,783	1,016,945	1,128,827

31 OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Construction cost payables	2,151,563	2,108,177	19,400	26,905
Receipts in advance from customers	900,597	762,767	113,010	72,052
Deposits from suppliers	389,271	321,017	53,603	39,214
Retention moneys	779,736	604,506	5,575	3,938
Expense accruals	135,378	84,223	9,701	11,988
Value-added tax payables	221,046	151,745	41,020	39,017
Other taxes payables	176,492	147,536	23,951	10,170
Payables for limestone mining rights	8,031	8,000	-	-
Payables for clay mining rights	1,953	1,953	-	-
Interest payable	313,840	21,421	304,869	9,657
Payables for acquisition of subsidiaries	878,054	8,360	70,548	8,360
Payroll payables	430,789	278,387	56,231	38,560
Other payables	253,780	117,037	17,572	7,035
	6,640,530	4,615,129	715,480	266,896

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32 NON-CURRENT BANK LOANS AND OTHER BORROWINGS

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

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Bank loans (note 34)				
– secured	119,500	–	–	–
– unsecured	3,727,250	5,377,750	200,000	150,000
Loans from Conch Holdings				
– unsecured (note (b)(i))	5,200,000	4,900,000	40,000	40,000
Unsecured debentures (note (b)(ii))	9,465,640	–	9,465,640	–
Other borrowings				
– secured (note (b)(iii))	650,000	650,000	650,000	650,000
– unsecured (note (b)(iv))	76,364	43,636	–	–
	19,238,754	10,971,386	10,355,640	840,000

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 fixed rates of 4.69% to 5.78% (2010: 4.69% to 4.83%) per annum. The loans are unsecured and repayable starting January 2013. The balance included RMB640,000,000 which was borrowed by newly acquired subsidiaries before the acquisition date.

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32 NON-CURRENT BANK LOANS AND OTHER BORROWINGS (CONTINUED)

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

- (ii) In May 2011, the Company issued corporate bonds with an aggregate principal amount of RMB9,500,000,000, of which RMB7,000,000,000 with a maturity period of 5 years (“5-year bond”) and RMB2,500,000,000 with a maturity period of 7 years (“7-year bond”). The 5-year bond and the 7-year bond carry fixed annual interest rate of 5.08% and 5.20% respectively, which will be paid annually. The principal of the 5-year bond is fully repayable on 23 May 2016 and the 7-year bond is fully repayable on 23 May 2018.

Conch Holdings provides unconditional and irrevocable joint liability guarantee for the above bonds over the respective maturity periods.

- (iii) 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% (2010: 5.32%) per annum and is repayable in September 2015. At 31 December 2011, the loan was secured by property, plant and equipment of the Group with carrying amount of RMB420,302,000 (2010: RMB478,323,000) and leasehold land held for own use under operating leases of the Group with carrying amount of RMB182,431,000 (2010: RMB191,542,000). The loan is subject to various financial covenants that are reported to IFC on a yearly basis.
- (iv) Other unsecured borrowings include (1) national debt loan (國債轉貸) provided by the Anhui Finance Bureau. The loan bears interest at a rate of 2.55% (2010: 2.55%) per annum and is repayable in June 2017; and (2) borrowings by a newly acquired subsidiary in 2011 from an investment company. The balance bears interest at a rate of 6.9% per annum and is repayable in August and December 2014.

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33 CURRENT BANK LOANS AND OTHER BORROWINGS

The analysis of the carrying amount of current bank loans and other borrowings is as follows:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Bank loans (note 34)				
– secured	80,800	–	–	–
– unsecured	3,109,000	2,964,250	450,000	350,000
Other borrowings	7,273	207,273	–	–
	3,197,073	3,171,523	450,000	350,000

At 31 December 2011, other borrowings of the Group represent national debt loan (國債轉貸) provided by the Anhui Finance Bureau (2010: RMB7,273,000).

As at 31 December 2011, there were no outstanding discounted bills with recourse (2010: RMB200,000,000).

34 BANK LOANS

At 31 December 2011, the bank loans were repayable as follows:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Within 1 year or on demand (note 33)	3,189,800	2,964,250	450,000	350,000
After 1 year but within 2 years	1,535,000	2,380,500	100,000	50,000
After 2 years but within 5 years	2,291,750	2,927,250	100,000	100,000
After 5 years	20,000	70,000	–	–
Total non-current bank loans (note 32(a))	3,846,750	5,377,750	200,000	150,000
	7,036,550	8,342,000	650,000	500,000

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34 BANK LOANS (CONTINUED)

As at 31 December 2011, the carrying amounts of interest in leasehold land held for own use under operating leases amounted to RMB23,016,000 (2010: nil) and property, plant and equipment amounted to RMB211,369,000 (2010: nil) were pledged as security against the Group's non-current bank loans of RMB119,500,000 (2010: nil).

As at 31 December 2011, the carrying amount of interest in property, plant and equipment pledged as security against the Group's current borrowings of RMB80,800,000 (2010: nil) amounted to RMB217,844,000 (2010: nil).

At 31 December 2011, unsecured bank loans of the Group and the Company totalling RMB2,757,000,000 (2010: RMB2,552,000,000) and RMB50,000,000 (2010: RMB50,000,000) respectively were guaranteed by Conch Holdings.

At 31 December 2011, total banking facilities of the Group amounted to RMB59,890,280,000 (2010: RMB64,891,910,000). These facilities were utilised to the extent of RMB7,887,530,000 (2010: RMB14,318,910,000) as at the balance sheet date.

35 INCOME TAX IN THE BALANCE SHEETS

(a) Current taxation in the balance sheets represents:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Provision for PRC Corporate Income Tax for the year	3,891,918	1,777,537	281,898	96,279
PRC Corporate Income Tax paid	(2,278,596)	(942,244)	(66,574)	(41,895)
	1,613,322	835,293	215,324	54,384
Representing:				
Tax recoverable	(10,371)	(6,907)	–	–
Tax payable	1,623,693	842,200	215,324	54,384
	1,613,322	835,293	215,324	54,384

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35 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	Unrealised profits (note)	Arising from business combination	Tax losses	Provisions	Fair value change of available- for-sale equity securities	Fair value change of derivatives and trading securities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:								
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
At 1 January 2011	(25,553)	(51,856)	19,061	(10,374)	(2,792)	513,274	419	442,179
Charged/(credited) to income statement	10,250	13,779	(2,551)	(8,812)	1,476	-	(3,705)	10,437
Arising from acquisitions	-	-	122,480	-	-	-	-	122,480
Charged to reserves	-	-	-	-	-	(232,889)	-	(232,889)
At 31 December 2011	(15,303)	(38,077)	138,990	(19,186)	(1,316)	280,385	(3,286)	342,207

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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35 INCOME TAX IN THE BALANCE SHEETS (CONTINUED)

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

(ii) The Company

The components of deferred tax assets 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	Fair value change of trading securities RMB'000	Total RMB'000
Deferred tax arising from:				
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
At 1 January 2011	(9,633)	513,274	–	503,641
Credited to the income statement	6,951	–	(3,635)	3,316
Charged to reserves	–	(232,889)	–	(232,889)
At 31 December 2011	(2,682)	280,385	(3,635)	274,068

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35 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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Net deferred tax assets recognised on the balance sheet	(103,548)	(80,943)	–	–
Net deferred tax liabilities recognised on the balance sheet	445,755	523,122	274,068	503,641
	342,207	442,179	274,068	503,641

36 LONG-TERM PAYABLES

	The Group	
	2011 RMB'000	2010 RMB'000
Compensation payable (note (a))	17,474	28,518
Acquisition cost of mining rights payable (note (b))	441,000	48,000
Others	1,799	1,582
	460,273	78,100
Less: Current portion of compensation payable (note (a))	(6,179)	(6,702)
Current portion of acquisition cost of mining rights payable (note (b))	(49,000)	(6,000)
	405,094	65,398

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36 LONG-TERM PAYABLES (CONTINUED)

Notes:

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

At 31 December 2011, the total remaining obligations in relation to the above agreements amounted to RMB17,474,000 (2010: RMB28,518,000). Compensation payable of RMB6,179,000 (2010: RMB6,702,000) is expected to be settled within the next year.

- (b) Pursuant to an agreement entered into between a subsidiary of the Company and Anhui Provincial Department of Land and Resources on 21 October 2011, acquisition cost of certain mining rights acquired amounting to RMB441,000,000 is payable between 2012 and 2020, of which RMB49,000,000 is to be settled within the next year.

The balance of acquisition cost of mining rights payable as at 31 December 2010 represented the amounts payable to Anhui Provincial Department of Land and Resources for other mining rights acquired, which have been fully settled in 2011.

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37 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2011, the Group had obligations under finance leases repayable as follows:

	The Group			
	2011		2010	
	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	59,228	64,048	66,742	66,749
After 1 year but within 2 years	58,878	61,037	58,626	64,055
After 2 years but within 5 years	-	-	52,308	61,360
	58,878	61,037	110,934	125,415
	<u>118,106</u>	<u>125,085</u>	<u>177,676</u>	192,164
Less: total future interest expenses		(6,979)		(14,488)
Present value of lease obligations		<u>118,106</u>		177,676

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38 DEFERRED INCOME

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
At 1 January	410,109	338,187	34,534	37,669
Government grant received (note (a))	53,970	80,467	–	–
Deferred gain from the sale and leaseback of property, plant and equipment (note (b))	–	25,155	–	–
Recognised in the income statement	(49,292)	(33,700)	(3,135)	(3,135)
At 31 December	414,787	410,109	31,399	34,534

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 equipments in 2010 is recognised as income over the useful lives of the equipments on a straight-line basis.

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39 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 2010		1,766,434	20,112,224	25,289	759,006	877,641	3,999,162	27,539,756
Impact of change in accounting policy	2(c)	-	-	191,981	-	-	(47,431)	144,550
Restated balance at 1 January 2010		1,766,434	20,112,224	217,270	759,006	877,641	3,951,731	27,684,306
Changes in equity for 2010:								
Total comprehensive income (Restated)		-	-	-	-	662,180	3,785,079	4,447,259
Dividends approved in respect of the previous year	39(b)	-	-	-	-	-	(618,252)	(618,252)
Capitalisation issue	39(c)(ii)	1,766,434	(1,766,434)	-	-	-	-	-
Appropriations to reserves for current year profit	39(d)(iii)	-	-	-	382,878	-	(382,878)	-
Restated balance at 31 December 2010		3,532,868	18,345,790	217,270	1,141,884	1,539,821	6,735,680	31,513,313
Changes in equity for 2011:								
Total comprehensive income		-	-	-	-	(698,668)	6,561,708	5,863,040
Dividends approved in respect of the previous year	39(b)	-	-	-	-	-	(1,059,861)	(1,059,861)
Capitalisation issue	39(c)(ii)	1,766,435	(1,766,435)	-	-	-	-	-
Appropriations to reserves for current year profit	39(d)(iii)	-	-	-	660,910	-	(660,910)	-
Balance at 31 December 2011		5,299,303	16,579,355	217,270	1,802,794	841,153	11,576,617	36,316,492

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39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2011 RMB'000	2010 RMB'000
Final dividend proposed after the balance sheet date of RMB0.35 (2010: RMB0.30) per ordinary share	1,854,756	1,059,861

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

The above proposed 2011 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:*

	2011 RMB'000	2010 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.30 (2010: RMB0.35) per ordinary share	1,059,861	618,252

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39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

(i) Registered and issued share capital

	2011		2010	
	No. of shares ('000)	Amount RMB'000	No. of shares ('000)	Amount RMB'000
Registered:				
H shares of RMB1 each	1,299,600	1,299,600	866,400	866,400
A shares of RMB1 each	3,999,703	3,999,703	2,666,468	2,666,468
	5,299,303	5,299,303	3,532,868	3,532,868
Issued and fully paid:				
H shares of RMB1 each	1,299,600	1,299,600	866,400	866,400
A shares of RMB1 each	3,999,703	3,999,703	2,666,468	2,666,468
	5,299,303	5,299,303	3,532,868	3,532,868

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.

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(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(i) Registered and issued 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 Wuhu Conch Venture Investment Company Limited ("Conch Venture") as consideration for the acquisition of 49% equity interest in Digang Conch, 49% equity interest in Zongyang Conch, 49% equity interest in Chizhou Conch and 31.86% equity interest in Tongling Conch. Pursuant to these transactions, the registered capital of the Company was increased to 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.

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(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(i) Registered and issued 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 then 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 2010 Annual General Meeting held on 31 May 2011 approved the bonus issue of 5 shares for every 10 shares held by the shareholders as at 15 June 2011 (2010: 10 shares for every 10 shares held as at 18 June 2010). As a result, the issued share capital of the Company increased from RMB3,532,868,000 to RMB5,299,303,000 (2010: from RMB1,766,434,000 to RMB3,532,868,000) after capitalization of share premium of RMB1,766,435,000 (2010: RMB1,766,434,000).

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Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

39 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 subsidiaries and the carrying amount of the net assets additionally acquired;
- cash contributed by Conch Holdings; and
- revaluation gain on lease prepayments.

(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 2011, the directors have recommended that 10% (2010: 10%) of the statutory net profit of the Company and each of its subsidiaries, where applicable, be appropriated to the statutory surplus reserve.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(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(g).

(v) Retained earnings

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

(e) Distributability of reserves

At 31 December 2011, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB11,576,617,000 (2010 (Restated): RMB6,735,680,000).

(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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management (continued)

During 2011, the Group's strategy, which was unchanged from 2010, was to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2011 was 45% (2010: 42%). 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 32(b)(iii)), neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

40 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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (continued)

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, 23% (2010: 17%) of the total trade receivables was due from the Group's five largest customers; 46% (2010: 14%) of total other receivables related to the Group's five largest items of other receivables, including entrusted loan of RMB750,000,000 (2010: nil) being the largest item. This entrusted loan was guaranteed by an insurance company registered under the Office of the Commissioner of Insurance, the Government of the Hong Kong Special Administrative Region as at 31 December 2011.

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 25 and 26.

(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:

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Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Group

	2011					Balance sheet carrying amount RMB'000
	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	
Trade payables	5,078,909	-	-	-	5,078,909	5,078,909
Other payables and accruals	6,640,530	-	-	-	6,640,530	6,640,530
Bank loans and other borrowings	4,385,678	6,054,503	13,299,793	2,788,818	26,528,792	22,435,827
Amounts due to related parties	336,710	-	-	-	336,710	336,710
Long term payables	58,393	66,029	186,484	294,015	604,921	460,273
Obligations under finance leases	64,048	61,037	-	-	125,085	118,106
	16,564,268	6,181,569	13,486,277	3,082,833	39,314,947	35,070,355

The Group

	2010					Balance sheet carrying amount RMB'000
	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	
Trade payables	4,001,783	-	-	-	4,001,783	4,001,783
Other payables and accruals	4,615,129	-	-	-	4,615,129	4,615,129
Bank loans and other borrowings	3,819,022	2,880,580	8,888,083	90,827	15,678,512	14,142,909
Amounts due to related parties	366,946	-	-	-	366,946	366,946
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

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Company

	2011					Balance sheet carrying amount RMB'000
	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	
Trade payables	1,016,945	-	-	-	1,016,945	1,016,945
Other payables and accruals	715,480	-	-	-	715,480	715,480
Bank loans and other borrowings	1,007,284	679,497	9,287,874	2,760,000	13,734,655	10,805,640
Amounts due to subsidiaries	6,993,030	-	-	-	6,993,030	6,993,030
Amounts due to related parties	103,029	-	-	-	103,029	103,029
	9,835,768	679,497	9,287,874	2,760,000	22,563,139	19,634,124

The Company

	2010					Balance sheet carrying amount RMB'000
	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	
Trade payables	1,128,827	-	-	-	1,128,827	1,128,827
Other payables and accruals	266,896	-	-	-	266,896	266,896
Bank loans and other borrowings	406,452	92,154	886,436	-	1,385,042	1,190,000
Amounts due to subsidiaries	9,524,244	-	-	-	9,524,244	9,524,244
Amounts due to related parties	105,161	-	-	-	105,161	105,161
	11,431,580	92,154	886,436	-	12,410,170	12,215,128

As shown in the above analysis, bank loans and other borrowings of the Group and the Company amounting to RMB4,385,678,000 and RMB1,007,284,000 respectively were due to be repaid during 2012.

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Notes to the financial statements

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40 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 32, 33 and 34. 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			
	2011 Effective interest rate %	RMB'000	2010 Effective interest rate %	RMB'000	2011 Effective interest rate %	RMB'000	2010 Effective interest rate %	RMB'000
Net fixed rate borrowings:								
Bank loans	5.23%~10.44%	845,800	4.37%~5.00%	1,830,000	5.23%~6.56%	400,000	4.78%~5.00%	250,000
Other borrowings	4.69%~6.90%	15,355,640	4.69%~5.32%	5,750,000	4.83%~5.32%	10,155,640	4.83%~5.32%	690,000
Less: Loans and receivables	6.56%~6.90%	(246,000)	5.40%~7.56%	(101,616)	6.31%	(300,000)		-
Prepayments and other receivables	6.56%~8.50%	(854,500)	5.31%~6.75%	(225,558)	6.31%~8.50%	(6,795,000)		-
Restricted cash deposits	3.10%	(5,000)	2.60%	(5,000)	3.10%	(5,000)	2.60%	(5,000)
Bank deposits with maturity over three months	3.30%~3.50%	(221,624)		-		-		-
Cash and cash equivalents	3.10%~3.50%	(833,454)	2.60%~3.00%	(206,414)	3.10%	(670,000)	2.60%~3.00%	(5,000)
		14,040,862		7,041,412		2,785,640		930,000
Variable rate borrowings:								
Bank loans	5.27%~7.59%	6,190,750	4.86%~6.32%	6,512,000	5.04%~5.80%	250,000	4.86%~5.32%	250,000
Other borrowings	2.55%	43,637	2.55%	50,909		-		-
Less: Restricted cash deposits	0.50%	(53,994)	0.36%	(46,726)	0.50%	(3,789)	0.36%	(14,761)
Cash and cash equivalents	0.50%~1.31%	(6,913,456)	0.36%~1.17%	(2,477,657)	0.50%~1.31%	(4,763,837)	0.36%~1.17%	(3,007,099)
		(733,063)		4,038,526		(4,517,626)		(2,771,860)
Total net borrowings		13,307,799		11,079,938		(1,731,986)		1,841,860

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.

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40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2011, 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 RMB24,393,000 (2010: RMB22,540,000) 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 2010.

(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 2011, the Group had forward exchange contracts hedging forecast transactions with a fair value of RMB1,406,000 (2010: RMB1,753,000), 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.

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(Expressed in Renminbi Yuan unless otherwise indicated)

40 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)		
	2011	2010	
	USD	Euro	USD
Trade receivables	23,611	–	25,468
Cash and cash equivalents	64,404	66,817	78,085
Other payables and accruals	(18,189)	–	(24,002)
Gross exposure arising from recognised assets and liabilities	69,826	66,817	79,551
Notional amounts of forward exchange contracts used as economic hedges	(434,762)	–	(496,703)
Net exposure arising from recognised assets and liabilities	(364,936)	66,817	(417,152)

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(Expressed in Renminbi Yuan unless otherwise indicated)

40 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

	2011		2010	
	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%	2,737	1%	3,129
Euro	n/a	n/a	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 2010.

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(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk

The Group is exposed to equity price changes arising from trading securities and equity investments classified as available-for-sale equity securities (see notes 22 and 24).

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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk (continued)

It is estimated that an increase/decrease of 1% (2010: 1%) in the respective quoted share prices of these securities, with all other variables held constant, would have increased/reduced the Group's retained profits and fair value reserve as follows:

The Group and the Company

	2011			2010		
		Effect on profit after tax and retained profits RMB'000	Effect on fair value reserve RMB'000		Effect on profit after tax and retained profits RMB'000	Effect on fair value reserve RMB'000
Change in quoted share price						
Increase	1%	569	26,841	1%	-	28,160
Decrease	(1%)	(569)	(26,841)	(1%)	-	(28,160)

The sensitivity analysis indicates the instantaneous change in the Group's retained profits and 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 2010.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(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

The Group

	2011			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Assets				
Prepayments and other receivables	–	1,406	–	1,406
Other investments	75,897	–	–	75,897
Available-for-sale equity securities:				
– Listed	3,578,852	–	–	3,578,852
	3,654,749	1,406	–	3,656,155

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

The Group (continued)

	2010			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 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

The Company

	2011			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Assets				
Other investments	75,897	–	–	75,897
Available-for-sale equity securities:				
– Listed	3,578,852	–	–	3,578,852
	3,654,749	–	–	3,654,749

	2010			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Assets				
Available-for-sale equity securities:				
– Listed	3,754,675	–	–	3,754,675
	3,754,675	–	–	3,754,675

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

Since the release of the trading restriction of the investment in Anhui Chaodong Cement Co., Ltd. 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 during 2010.

During the year ended 31 December 2011, there were no significant transfers between financial instruments in level 1 and level 2.

(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 2011 and 2010 except as follows:

	2011		2010	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
The Group:				
Current bank loans and other borrowings	3,197,073	3,181,493	3,171,523	3,163,931
Non-current bank loans and other borrowings	19,238,754	19,091,127	10,971,386	10,712,205
	22,435,827	22,272,620	14,142,909	13,876,136

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values (continued)

(ii) Fair values of financial instruments carried at other than fair value (continued)

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 2011 and 2010 except as follows:

	2011		2010	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
The Company:				
Current bank loans and other borrowings	450,000	448,827	350,000	348,945
Non-current bank loans and other borrowings	10,355,640	10,361,469	840,000	814,409
	10,805,640	10,810,296	1,190,000	1,163,354

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) 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 2011.

(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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(g) Estimation of fair values (continued)

(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, or based on the quoted market prices at the balance sheet date without any deductions for transaction costs if available.

(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.

(v) Interest rates used for determining fair value

The entity uses the market rate of long-term loan as of 31 December 2011 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2011	2010
Bank loans and other borrowings	5.90%~7.05%	5.23%~6.40%
Loans and receivables	6.10%~7.05%	5.81%~6.22%

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

41 COMMITMENTS

- (a) Capital commitments outstanding at 31 December not provided for in the financial statements were as follows:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Contracted for	2,805,495	13,614,304	12,411	33,612
Authorised but not contracted for	8,222,401	3,287,417	–	–
	11,027,896	16,901,721	12,411	33,612

- (b) At 31 December, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Within 1 year (inclusive)	7,347	2,179	5,484	2,179
After 1 year but within 5 years (inclusive)	8,028	–	–	–
After 5 years	153,969	–	–	–
Total	169,344	2,179	5,484	2,179

- (c) As disclosed in note 43(b)(vii), the Company is committed to pay trademark licence fees to Conch Holdings at RMB1,513,000 (2010: RMB1,513,000) per annum. The licence agreement does not indicate an expiry date of the agreement.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

42 CONTINGENT LIABILITIES

At 31 December 2011, the Company has issued guarantees to banks in respect of bank loans of its subsidiaries amounting to RMB3,159,250,000 (2010: RMB5,040,000,000). The directors do not consider it probable that a claim will be made against the Company under any of these guarantees.

At 31 December 2011, outstanding letters of credit issued by the Group amounted to RMB34,912,000 (2010: RMB229,169,000).

43 MATERIAL RELATED PARTY TRANSACTIONS

(a) Related parties information

In addition to the associates and jointly controlled entities of the Group as disclosed in notes 19 and 20 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
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

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related parties information (continued)

Name of related party	Nature of relationship
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
Wuhu Conch Venture Property Investment Co., Ltd. ("Conch Venture Property") 蕪湖海創置業有限責任公司	Subsidiary of Conch Venture
Conch Property Management	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

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 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

	2011 RMB'000	2010 RMB'000
Conch Kawasaki Equipment	11,401	11,079
Guiding Conch	1,663	16,069
Guiyang Conch	6,772	13,673
Conch Kawasaki Energy Conservation	1,790	2
Conch Profiles and Science	565	489
Conch New Materials	137	890
Sanshan Port	31	5
Yingde Profiles	196	143
Dragon Mountain	5,442	8,154
Conch Venture	2,330	-
Zunyi Conch	6	43
	30,333	50,547

(ii) Purchase of goods

	2011 RMB'000	2010 RMB'000
Sanshan Port	38,864	693
Conch Profiles and Science	4,066	4,183
Yingde Profiles	3,096	2,196
Conch New Materials	3,641	2,428
Conch Kawasaki Energy Conservation	7,398	6,925
Dragon Mountain	154,252	91,743
	211,317	108,168

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(iii) Purchase of fixed assets

	2011 RMB'000	2010 RMB'000
Conch Kawasaki Engineering	393,504	567,083
Conch Kawasaki Energy Conservation	239,171	319,658
Conch Kawasaki Equipment	335,561	232,486
	968,236	1,119,227

(iv) Provision of services

	2011 RMB'000	2010 RMB'000
Conch Profiles and Science	242	395
Conch Design	22	–
Conch Kawasaki Engineering	–	1,176
Conch Kawasaki Equipment	4,054	4,407
Conch Kawasaki Energy Conservation	–	67
Guiding Conch	3,470	1,385
Guiyang Conch	4,004	1,347
King Bridge Cement	–	216
Dragon Mountain	15,039	8,719
	26,831	17,712

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(v) Receiving services

	2011 RMB'000	2010 RMB'000
Conch Design	58,242	31,156
Conch Information	7,220	5,680
Conch Venture	6,229	5,876
Sanshan Port	171	878
Conch Property Management	212	–
Yingde Profiles	100	100
	72,174	43,690

(vi) Purchase of machinery through the Group

	2011 RMB'000	2010 RMB'000
Guiding Conch	115	13,507
Guiyang Conch	192	34,559
Zunyi Conch	1,214	37,717
	1,521	85,783

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(vii) Transactions with Conch Holdings

	2011 RMB'000	2010 RMB'000
Trademark licence fees payable (note (a))	1,513	1,513
Composite service fees payable (note (b))	3,322	2,548
Loan guarantees obtained (note (c))	12,257,000	2,552,000
Finance lease guarantees obtained (note (c))	117,340	176,000
Loans obtained (note (d))	2,000,000	4,820,000
Loans repaid (note (d))	2,340,000	520,000
Interest on loans (note (d))	278,418	222,832
Purchase consideration for acquisition of non-controlling interests	-	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.
- (b) Conch Holdings charged the Company a total amount of RMB3,322,000 (2010: RMB2,548,000) for various services rendered and facilities provided during the year ended 31 December 2011.
- (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 (notes 32 and 34).
- (d) The loans from Conch Holdings bear interest at a fixed rate of 4.69%~5.78% per annum. The loans are unsecured and repayable starting January 2013.

The loans repaid to Conch Holdings during 2011 amounted to RMB2,340,000,000 (2010: RMB520,000,000).

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(viii) In October 2009, the Company entered into a joint construction contract with related parties, Conch Venture Property and Wuhu International 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 buildings and leasehold land pertaining to the buildings in proportion 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 RMB52,000,000 and the Company will have a share of 20% in the interest of the buildings and leasehold land.

In 2011, the Company paid a total of RMB32,986,000 to Conch Venture Property for the construction of buildings, of which RMB7,684,000, representing prepayments for the construction project, was included in amounts due from related parties (note 28).

(c) Transactions and balances with other government-related entities in the PRC

The Group operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government through its government authorities, agencies, affiliations and other organizations, collectively referred to as government-related entities.

Apart from transactions mentioned in note 43(b), the Group has transactions with other government-related entities including but not limited to the following:

- purchases of coal; and
- depositing and borrowing money.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not government-related entities. 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 government-related entities or not.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

Having considered the potential for transactions to be impacted by related party relationships, the Group's approval processes and financing policy, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions and balances require disclosure as related party transactions and balances:

	2011 RMB'000	2010 RMB'000
Purchase of coal	4,132,802	2,860,840
Interest expenses	805,831	631,216
Finance leases	–	176,000
Cash and cash equivalents	7,724,385	2,675,602
Prepayments and other receivables	109,886	89,125
Bank loans	12,170,186	13,142,909
Obligations under finance leases	118,106	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 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2011 RMB'000	2010 RMB'000
Short-term employee benefits	11,535	7,105
Post-employment benefits	194	129
	11,729	7,234

Total remuneration is included in "staff costs" (see note 7(b)).

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Commitment with related parties

Commitments outstanding with related parties at 31 December not provided for in the financial statements were as follows:

	2011 RMB'000	2010 RMB'000
Conch Kawasaki Engineering	231,568	244,059
Conch Kawasaki Energy Conservation	8,050	44,965
Conch Venture Property	6,406	39,432
Conch Design	18,225	31,440
Yingde Profiles	142	42
Conch Venture	8,226	2,179
	272,617	362,117

44 NON-ADJUSTING POST BALANCE SHEET EVENTS

After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 39(b).

45 COMPARATIVE FIGURES

As a result of the application of Improvements to IFRS (2010), certain comparative figures have been adjusted. Further details of these developments are disclosed in note 2(c).

46 IMMEDIATE AND ULTIMATE CONTROLLING COMPANY

At 31 December 2011, 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.

12. Financial Statements prepared in accordance with International Financial Reporting standards

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

47 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2011 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
Amendments to IFRS 7, Financial instruments: Disclosures – Transfers of financial assets	1 July 2011
Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income	1 July 2012
IFRS 10, Consolidated financial statements	1 January 2013
IFRS 11, Joint arrangements	1 January 2013
IFRS 12, Disclosure of interests in other entities	1 January 2013
IFRS 13, Fair value measurement	1 January 2013
IAS 27, Separate financial statements (2011)	1 January 2013
IAS 28, Investments in associates and joint ventures	1 January 2013
Amendments to IAS 32, Financial instruments: Presentation – Offsetting financial assets and liabilities	1 January 2014
IFRS 9, Financial instruments	1 January 2015

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.

13. Documents for Inspection

- (1) Financial statements bearing 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 corporate 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 Company Limited

26 March 2012

14. Written Confirmation of Directors and members of the Senior Management on the Annual Report of 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 2011 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 2011 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 2011 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 2011 and its summary is true, accurate and complete, and we undertake that it does not contain misrepresentation, misleading statement or material omissions, and we are severally and jointly responsible for the truthfulness, accuracy and completeness of its contents.

Name	Position	Name	Position
Guo Wensan	Chairman and executive Director	Kang Woon	Independent non-executive Director
Chan Yuk Tong	Independent non-executive Director	Ding Meicai	Independent non-executive Director
Guo Jingbin	Executive Director	Ji Qinying	Executive Director and general manager
Zhang Mingjing	Executive Director and deputy general manager	Wu Jianping	Executive Director
Wang Pengfei	Deputy general manager	He Chengfa	Deputy general manager
Wu Bin	Assistant to general manager	Li Leyi	Deputy chief engineer of technical art
Zhou Bo	Deputy chief accountant	Yang Kaifa	Secretary to the Board

26 March 2012