



## **2012 INTERIM REPORT**

**Anhui Conch Cement Company Limited**

(A Share: 600585 H Share: 00914)

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

Mr. Kang Woon, an independent non-executive Director of the Company, was unable to attend, in person, the seventh meeting of the fifth session of the Board of the Company. Mr. Kang appointed and authorized Mr. Wong Kun Kau, another independent non-executive Director, to attend the said meeting and exercise the voting rights on his behalf.

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

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

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

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

## Definitions

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

The Company or Conch Cement	:	Anhui Conch Cement Co., Ltd.
The Group	:	The Company and its subsidiaries
Reporting Period	:	the period from 1 January 2012 to 30 June 2012
Director(s)	:	The director(s) of the Company
Board	:	The board of Directors of the Company
Beiliu Conch	:	Beiliu Conch Cement Co., Ltd.
Chizhou Conch	:	Anhui Chizhou Conch Cement Co., Ltd.
Chongqing Conch	:	Chongqing Conch Cement Co., Ltd.
Foshan Conch	:	Foshan Conch Cement Co., Ltd.
Guiyang Conch	:	Guiyang Conch Panjiang Cement Co., Ltd.
Guangyuan Conch	:	Guangyuan Conch Cement Co., Ltd.
Guangxi Lingyun Cement	:	Guangxi Lingyun Tonghong Cement Co., Ltd.
Hami Construction Material	:	Hami Hongyi Construction Material Co., Ltd.
Conch Holdings	:	Anhui Conch Holdings Co., Ltd.
Conch Venture	:	Anhui Conch Venture Investment Company Limited
Conch Kawasaki Engineering	:	Anhui Conch Kawasaki Engineering Co., Ltd.
Conch Kawasaki Energy Conservation	:	Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.
Conch Design	:	Anhui Conch Construction Materials Design Institute
Conch Property	:	Wuhu Conch Property Management Co., Ltd.

## Definitions

Haichang Port	:	Jiangdu Haichang Port Industrial Co., Ltd.
Conch Siam	:	Anhui Conch Siam Refractory Materials Co., Ltd.
Longling Conch	:	Longling Conch Cement Co., Ltd.
Longshan Cement	:	Yingde Longshan Cement Co., Ltd.
Jiangdu Conch	:	Jiangdu Conch Cement Co., Ltd.
Jiangmen Conch	:	Jiangmen Conch Cement Co., Ltd.
Jianghua Conch	:	Jianghua Conch Cement Co., Ltd.
Jiande Conch	:	Jiande Conch Cement Co., Ltd.
Liquan Conch	:	Liquan Conch Cement Co., Ltd.
Quanjiao Conch	:	Quanjiao Conch Cement Co., Ltd.
Qingsong Building Materials and Chemicals	:	Xinjiang Qingsong Building Materials and Chemicals (Group) Co., Ltd.
Suzhou Conch	:	Suzhou Conch Cement Co., Ltd.
Sanshan Port	:	Wuhu Sanshan Conch Port Co., Ltd.
Shanghai Logistic	:	Shanghai Conch Logistic Co., Ltd.
Tongling Conch	:	Anhui Tongling Conch Cement Co., Ltd.
Wuhu Conch	:	Wuhu Conch Cement Co., Ltd.
Yiyang Conch	:	Yiyang Conch Cement Co., Ltd.
Prosperity Conch	:	Prosperity Conch Cement Co., Ltd.
Zunyi Conch	:	Zunyi Conch Panjiang Cement Co., Ltd.
A Shares	:	ordinary shares in the capital of the Company listed on the SSE, with a nominal value of RMB1.00 per share, which are subscribed for and traded in RMB

## 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
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
Clinker	:	semi-finished products made in the manufacturing process of cement
Hong Kong	:	The Hong Kong Special Administrative Region of the PRC
RMB	:	Renminbi, the lawful currency of the PRC
PRC	:	The People's Republic of China
CSRC	:	China Securities Regulatory Commission

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## I. Basic Corporate Information

- (1) **Official Chinese name of the Company** : 安徽海螺水泥股份有限公司
- Official English name of the Company** : ANHUI CONCH CEMENT COMPANY LIMITED
- Abbreviation in English** : ACC
- (2) **Legal representative of the Company** : Guo Wensan
- (3) **Secretary to the Board (Company Secretary)** : Yang Kaifa
- Phone number** : 0086 553 8398927
- Fax number** : 0086 553 8398931
- Company Secretary (Hong Kong)** : Leo P.Y. Chiu
- Phone number** : 00852 2111 3220
- Fax number** : 00852 2111 3299
- Securities Affairs Representatives** : Liao Dan
- Phone number** : 0086 553 8398911
- Fax number** : 0086 553 8398931
- Email address** : dms@conch.cn
- (4) **Registered address of the Company** : 39 Wenhua 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 report is available** : Secretariat to the Board of the Company

## I. Basic Corporate Information

- (6) Exchanges on which the Company's shares are listed:**
- |                   |   |                |
|-------------------|---|----------------|
| <b>H Shares</b>   | : | Stock Exchange |
| <b>Stock code</b> | : | 00914          |
| <b>A Shares</b>   | : | SSE            |
| <b>Stock code</b> | : | 600585         |
| <b>Stock name</b> | : | Conch Cement   |
- (7) Date of first registration of the Company** : 1 September 1997
- Place of first registration of the Company** : Industrial and Commercial Administration Bureau, Anhui Province, the PRC
- Date of registration of changes in the particulars of the Company** : 26 June 2012
- Place of registration of changes in the particulars of the Company** : Industrial and Commercial Administration Bureau, Anhui Province, the PRC
- Business license number for legal person** : 340000000000081
- Tax registration number** : GSWZ34020214949036-X  
DSWZ34020214949036-X
- (8) Legal advisers as to PRC law** : Jingtian & Gongcheng  
34/F, Tower 3, China Central Place, 77 Jian Guo Road, Chaoyang District, Beijing, the PRC
- Legal advisers 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 (Special General Partnership)  
8th Floor, Office Tower 2, Oriental Plaza, 1 East Chang An Avenue, Beijing, the PRC
- (10) H Shares share register and transfer office** : Hong Kong Registrars Limited  
17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong



## I. Basic Corporate Information

### (11) Key Financial Data and Indicators

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

Table 1:

Items	30 June 2012 (RMB'000)	31 December 2011 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets	<b>81,893,195</b>	84,003,416	(2.51)
Total equity attributable to equity shareholders of the Company	<b>45,521,627</b>	44,839,509	1.52
Net assets per share attributable to equity shareholders of the Company (RMB/share)	<b>8.59</b>	8.46	1.52

## I. Basic Corporate Information

Table 2:

Items	Six months ended 30 June 2012 (RMB'000)	Six months ended 30 June 2011 (RMB'000)	Increase/ (decrease) over the same period of the previous year (%)
Operating profit	<b>3,110,803</b>	7,669,252	(59.44)
Profit before taxation	<b>3,638,550</b>	8,049,831	(54.80)
Net profit attributable to equity shareholders of the Company	<b>2,917,340</b>	5,994,050	(51.33)
Net profit attributable to equity shareholders of the Company after extraordinary items	<b>2,604,493</b>	5,740,333	(54.63)
Basic earnings per share (RMB/share)	<b>0.55</b>	1.13	(51.33)
Diluted earnings per share (RMB/share)	<b>0.55</b>	1.13	(51.33)
Basic earnings per share after extraordinary items (RMB/share)	<b>0.49</b>	1.08	(54.63)
Diluted return on net assets (%)	<b>6.41</b>	14.86	Decreased by 8.45 percentage points
Weighted average return on net assets (%)	<b>6.38</b>	15.77	Decreased by 9.39 percentage points
Diluted return on net assets after extraordinary items (%)	<b>5.72</b>	14.23	Decreased by 8.51 percentage points
Weighted average return on net assets after extraordinary items (%)	<b>5.69</b>	15.10	Decreased by 9.41 percentage points
Net cash flow generated from operating activities	<b>6,732,739</b>	5,175,032	30.10
Net cash flow per share generated from operating activities (RMB/share)	<b>1.27</b>	0.98	30.10

## I. Basic Corporate Information

Table 3:

<b>Extraordinary items for the Reporting Period</b>	<b>Amount</b> (RMB'000)
(1) Gain/(Loss) on disposals of non-current assets	8,269
(2) Government subsidy	379,128
(3) Gain/(Loss) on changes in the fair value of tradable financial assets	(9,349)
(4) Gain on investment cost for acquisition of subsidiaries less than the fair value of identifiable net assets	1,534
(5) Gain on financial entrustment	29,168
(6) Entrusted fee income obtained from entrusted operation	195
(7) Other non-operating income and expenses other than the above items	3,385
(8) Effect of extraordinary items on income tax	(98,197)
(9) Effect of extraordinary items on minority interests	(1,286)
<b>Total</b>	<b>312,847</b>

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

<b>Items</b>	<b>Six months ended 30 June 2012</b> (RMB'000)	Six months ended 30 June 2011 (RMB'000)	Increase/ (decrease) over the same period of the previous year (%)
Revenue	<b>20,559,155</b>	22,327,265	(7.92)
Net profit attributable to equity shareholders of the Company	<b>2,932,979</b>	5,980,993	(50.96)
	<b>As at 30 June 2012</b> (RMB'000)	As at 31 December 2011 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets	<b>81,893,195</b>	84,003,416	(2.51)
Total liabilities	<b>34,630,935</b>	37,554,590	(7.79)

## I. Basic Corporate Information

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

	Net profit attributable to equity shareholders of the Company		Equity attributable to equity shareholders of the Company	
	Six months ended 30 June 2012 (RMB'000)	Six months ended 30 June 2011 (RMB'000)	As at 30 June 2012 (RMB'000)	As at 31 December 2011 (RMB'000)
As reported in the statutory financial statements under the PRC Accounting Standards	2,917,340	5,994,050	45,521,627	44,839,509
- Deferral of subsidy income not subject to the "China Accounting Standards for Business Enterprises No.16 – Government Subsidy" in accordance with the IFRS	15,639	(13,057)	(367,062)	(382,701)
As reported in accordance with the IFRS	2,932,979	5,980,993	45,154,565	44,456,808

## II. Changes in Share Capital and Shareholdings of Substantial Shareholders

(1) THERE WAS NO CHANGE IN THE TOTAL NUMBER OF SHARES AND THE SHAREHOLDING STRUCTURE OF THE COMPANY DURING THE REPORTING PERIOD.

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

As at 30 June 2012, the Company had a total of 159,146 shareholders, 128 of which were holders of H Shares.

Name of shareholder	Nature of shareholder	Number of shares held at the end of the Reporting Period (Shares)	Percentage shareholdings (%)	Class of Shares
1. Conch Holdings	State-owned legal person	1,918,329,108	36.20	A Shares
2. HKSCC Nominees Limited <sup>(Note 3)</sup>	Foreign legal person	1,297,587,381	24.49	H Shares
3. Conch Venture	Domestic non-state owned legal person	286,713,246	5.41	A Shares
4. Ping An Trust & Investment Co., Ltd. – Conch Equity Interest	Domestic non-state owned legal person	69,693,549	1.32	A Shares
5. China Merchants Bank Co., Ltd. – Everbright Pramerica Advantage Allocation Stock Securities Investment Fund	Others	30,065,818	0.57	A Shares
6. Conch Design	State owned legal person	28,953,736	0.55	A Shares
7. UBS AG	Others	26,352,538	0.50	A Shares
8. National Social Security Fund 102 Portfolio	Others	25,088,447	0.47	A Shares
9. China Construction Bank – Hua An Hongli Stock Securities Investment Fund	Others	23,000,000	0.43	A Shares
10. The Industrial and Commercial Bank of China – Bosera Selected Stock Securities Investment Fund	Others	22,813,323	0.43	A Shares

Notes:

- (1) All shares held by the above shareholders are floating shares without trading restrictions.
- (2) During the Reporting Period, there was no change in the number of the shares of the Company held by Conch Holdings and Conch Venture, and such shares were not subject to any pledge, freezing order or trust.
- (3) HKSCC Nominees Limited held 1,297,587,381 H Shares, representing 24.49% of the total share capital of the Company, and 99.85% of the issued H share capital of the Company. These shares were held on behalf of various clients.
- (4) So far as the Board is aware, as at the end of the Reporting Period, Conch Venture and Conch Holdings connected to each other by virtue of Conch Venture being interested in 49% of the total issued shares in Conch Holdings and in 5.41% of the total issued shares in the Company, while Conch Holdings was interested in 36.20% of the total issued shares in the Company. Conch Design is the wholly-owned subsidiary of Conch Holdings, and hence they are regarded as parties acting in concert under the Management Methods on Acquisitions by Listed Companies of CSRC. Except for the said shareholders, to the knowledge of the Company, the above shareholders were not connected to each other nor were they parties acting in concert.

## II. Changes in Share Capital and Shareholdings of Substantial Shareholders

(3) AS AT 30 JUNE 2012, THE FOLLOWING PERSONS (OTHER THAN THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY) HELD INTERESTS OR SHORT POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AS RECORDED IN THE REGISTER REQUIRED TO BE KEPT BY THE COMPANY UNDER SECTION 336 OF THE SECURITIES AND FUTURES ORDINANCE (CAP 571 OF THE LAWS OF HONG KONG) (“SFO”):

<b>Name of shareholder</b>	<b>Number of ordinary shares held</b>	<b>Capacity</b>	<b>Percentage of shareholding of the relevant class of shares</b>
Conch Holdings	1,947,282,844 A Shares (long position) (Note a)	Interests of a controlled corporation/ beneficial owner	48.69% (Note b)
Anhui Provincial Investment Group Holdings Co., Ltd.	1,947,282,844 A Shares (long position) (Note a)	Interests of a controlled corporation	48.69% (Note b)
Conch Venture	2,249,347,945 A Shares (long position) (Note a)	Interests of a controlled corporation/ beneficial owner	56.24% (Note b)
JPMorgan Chase & Co.	180,249,433 H Shares (long position) (Note d)	Beneficial owner/ investment manager/ custodian	13.87% (Note c)
JPMorgan Chase & Co.	15,950,259 H Shares (short position) (Note d)	Beneficial owner	1.23% (Note c)
Taiwan Cement Corporation	116,568,000 H Shares (long position) (Note e)	Interests of a controlled corporation	8.97% (Note c)
Genesis Asset Managers, LLP	106,224,140 H Shares (long position)	Investment manager	8.17% (Note c)
BlackRock, Inc.	97,489,420 H Shares (long position) (Note f)	Interests of a controlled corporation	7.50% (Note c)
BlackRock, Inc.	15,119,930 H Shares (short position) (Note f)	Interests of a controlled corporation	1.16% (Note c)

## II. Changes in Share Capital and Shareholdings of Substantial Shareholders

### Notes:

- (a) The registered capital of Conch Holdings is RMB800 million, of which RMB408 million is attributable to Anhui Provincial Investment Group Holdings Co., Ltd. (“Anhui Provincial Investment Group”, representing 51% of the equity interests in Conch Holdings); and RMB392 million is attributable to Conch Venture (representing 49% of the equity interests in Conch Holdings). Pursuant to the SFO, both Anhui Provincial Investment Group and Conch Venture were deemed to have interests in the entire number of shares of the Company held by Conch Holdings.

Among the 1,947,282,844 A Shares held by Conch Holdings, 1,918,329,108 A Shares were held by Conch Holdings as beneficial owner; 28,953,736 A Shares were held in the name of Conch Design (a wholly-owned subsidiary of Conch Holdings).

Among the 2,249,347,945 A Shares held by Conch Venture, 286,713,246 A Shares were held by Conch Venture as beneficial owner; 1,947,282,844 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) Based on the disclosure of interests form submitted by JPMorgan Chase & Co. in respect of the relevant event that occurred on 13 June 2012, these shares were held through certain subsidiaries of JPMorgan Chase & Co. Of the 180,249,433 H Shares (long position), 20,362,963 H Shares were held in the capacity of beneficial owner; 91,303,499 H Shares in the capacity of investment manager; and 68,582,971 H Shares (securities in lending pool) in the capacity of custodian.
- (e) Based on the disclosure of interests form submitted by Taiwan Cement Corporation in respect of the relevant event that occurred on 11 December 2008, these shares were held through certain subsidiaries of Taiwan Cement Corporation.
- (f) Based on the disclosure of interests form submitted by BlackRock, Inc. in respect of the relevant event that occurred on 29 June 2012, these shares were held through certain subsidiaries of BlackRock, Inc.

Save for the aforesaid shareholders, as at 30 June 2012, the Company was not aware of any interests and short positions as recorded in the register required to be kept pursuant to section 336 of the SFO.

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

For the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

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

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

As the term of office of Mr. Chan Yuk Tong as the Company's independent non-executive Director expired on 2 June 2012, he retired as the independent non-executive Director after the conclusion of the 2011 annual general meeting of the Company. According to the recommendation of the remuneration and nomination committee of the Board, the Company nominated Mr. Wong Kun Kau as a candidate of independent non-executive Director of the fifth session of the Board of the Company at the fifth meeting of the fifth session of the Board held on 26 March 2012. At the 2011 annual general meeting held on 31 May 2012, shareholders of the Company approved the election of Mr. Wong Kun Kau as an independent non-executive Director of the fifth session of the Board, with effect from the date of approval by the general meeting (i.e. 31 May 2012) to the date of expiry of the fifth session of the Board (i.e. 2 June 2013).

The Company agreed to appoint Mr. Ke Qiubi as the assistant to the general manager of the Company at the fifth meeting of the fifth session of the Board, with effect from the date of approval by the Board meeting (i.e. 26 March 2012).

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

As at the end of the Reporting Period, Mr. Ke Qiubi, the assistant to the general manager of the Company, held 604,445 A Shares of the Company, all of which were purchased by Mr. Ke prior to 26 March 2012, being the date on which he was appointed as the assistant to the general manager of the Company. During the Reporting Period, as Mr. Ke did not take any action to increase and/or reduce his shareholding in the Company, there was no change in the number of shares of the Company held by him.

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

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

For the six months ended 30 June 2012, none of the Directors, chief executive and supervisors of the Company nor any of their respective associates held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), nor had they been granted or exercised the above interests or rights, which were recorded in the register of the Company required to be kept and maintained in accordance with section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the HKSE Listing Rules.



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

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

#### **(4) CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT**

For the six months ended 30 June 2012, the Company has complied with all the code provisions (“Code Provisions”) set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the HKSE Listing Rules.

#### **(5) MODEL CODE**

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

#### **(6) EMPLOYEES AND REMUNERATION**

As at 30 June 2012, the Group had a total of 41,965 employees. The aggregate remuneration amounted to RMB815.71 million, being the aggregate amount of remuneration of the Group’s employees for the Reporting Period.

## IV. Management Discussion and Analysis

### BUSINESS ENVIRONMENT

During the first half of 2012, the PRC government implemented its fiscal policy in a proactive manner and its monetary policy prudently, strengthened macro-economic control, managed inflation expectations and refined its economic structure, which resulted in a steady development of the PRC economy. For the first half of 2012, the year-on-year GDP growth rate was 7.8%, down by 1.8 percentage points as compared to the corresponding period of last year. Fixed asset investments across the country saw a year-on-year growth rate of 20.4%, down by 5.2 percentage points from that in the same period of last year, while property investment sustained a year-on-year increase of 16.6%, down by 16.3 percentage points from that of the same period of last year. (Source: National Bureau of Statistics of China)

During the first half of 2012, the PRC's cement production volume rose by 5.48% year-on-year to 994 million tonnes, and the growth rate represented a decrease of 14.12 percentage points from that in the same period of last year. Investments in the PRC cement industry was down by 5.42 percentage points year-on-year to RMB61.9 billion. As affected by the slow down of growth in fixed asset investments, the cement price dropped sharply due to the weak cement market demand, thus the industry profitability has declined substantially. (Source: Digital Cement)

### ANALYSIS OF OPERATIONAL CONDITIONS

#### Operations

Encountering the adverse impact of the downward macroeconomy and the decrease in cement market demand in the first half of 2012, the Group proactively responded to the intense competition in the cement market and continuously strengthened its comprehensive competitiveness by timely adjusting its marketing strategies, increasing the sales volume of its products, taking advantage of the bulk procurement to lower the procurement costs, enhancing internal management and controlling operating costs.

During the Reporting Period, in accordance with the PRC Accounting Standards, the Group's revenue arising from its principal activities amounted to RMB20,300 million, representing a decrease of 8.22% from that in the same period of last year; its net profit attributable to equity shareholders of the Company amounted to RMB2,917 million, representing a decrease of 51.33% from that in the same period of last year; and earnings per share were RMB0.55. In accordance with IFRS, the revenue amounted to RMB20,559 million, representing a decrease of 7.92% from that in the same period of last year; its net profit attributable to equity shareholders of the Company amounted to RMB2,933 million, representing a decrease of 50.96% from that in the same period of last year; and earnings per share were RMB0.55.

## IV. Management Discussion and Analysis

During the Reporting Period, the Group pursued its project development at a steady pace and accelerated the progress of merger, acquisition and restructuring of cement projects. All the above resulted in additional clinker production capacity of 15.4 million tonnes and additional cement production capacity of 19.3 million tonnes. Construction of six clinker production lines held by Suzhou Conch, Quanjiao Conch and Longling Conch and thirteen cement grinding units held by Jiangdu Conch and Longling Conch were successively completed and they have been put into operation. Meanwhile, six sets of residual heat electricity generation units held by Wuhu Conch and Tongling Conch were put into operation with an additional electricity capacity of 94.5MW. In addition, the Group acquired five project companies including Sichuan Nanwei Cement Co., Ltd., Guangxi Lingyun Cement and Hami Construction Material.

During the Reporting Period, as an effort to fulfill our social responsibility, the Group has promptly launched research into the NOx reduction technology. The low-NOx staged combustion technology, jointly developed by the Group and Kawasaki Heavy Industries Ltd., has been applied in the 5,000 t/d clinker production line of Wuhu Conch which turned out to be a complete success. According to the test results released by Wuhu Environmental Monitoring Center, the NOx emission from the said production line was reduced by approximately 30%. It has also shown a remarkable effect on energy saving and consumption reduction, as indicated by a certain degree of reduction in heat consumption of clinker. As the model units in NOx emission reduction, Chongqing Conch and Jiande Conch, both subsidiaries of the Group, were credited among the key emissions reduction projects by the Ministry of Environmental Protection of the PRC in 2012. As at the date of this Report, each of Chongqing Conch and Jiande Conch also has one clinker production line which were successfully upgraded with the said technology. The Group is the pioneer in the domestic cement industry to adopt this technology, which will then be promoted to other subsidiaries of the Group and the whole cement industry.

### Sales

During the Reporting Period, the Group realised an aggregate net sales volume of cement and clinker of 80.55 million tonnes, representing a year-on-year growth of 13.70%. As affected by the intensifying competition in the cement market, the product price dropped substantially, resulting in a year-on-year decrease of 12.42%, 28.01% and 3.07% in the sales amount in the eastern, central and southern China markets respectively. In the western China region, as the projects run by Liquan Conch and Guangyuan Conch have gradually commenced production and the acquired projects have started to yield output, the sales volume has increased substantially, with an upsurge of 79.95% year-on-year in the sales amount. With respect to the international market, the Group increased both export sales and price, with a year-on-year increase of 10.75% in sales amount.

## IV. Management Discussion and Analysis

### Market and sales by region

Region	Sales amount by region				Change in sales amount (%)	Change in sales proportion (Percentage points)
	Six months ended 30 June 2012		Six months ended 30 June 2011			
	Sales amount (RMB'000)	Percentage (%)	Sales amount (RMB'000)	Percentage (%)		
East China <sup>Note 1</sup>	7,828,607	38.56	8,939,135	40.41	(12.42)	(1.85)
Central China <sup>Note 2</sup>	4,969,769	24.48	6,903,079	31.21	(28.01)	(6.73)
South China <sup>Note 3</sup>	3,949,735	19.46	4,075,000	18.42	(3.07)	1.04
West China <sup>Note 4</sup>	2,895,967	14.27	1,609,311	7.28	79.95	6.99
Export	655,595	3.23	591,972	2.68	10.75	0.55
<b>Total</b>	<b>20,299,673</b>	<b>100.00</b>	<b>22,118,497</b>	<b>100.00</b>	<b>(8.22)</b>	<b>-</b>

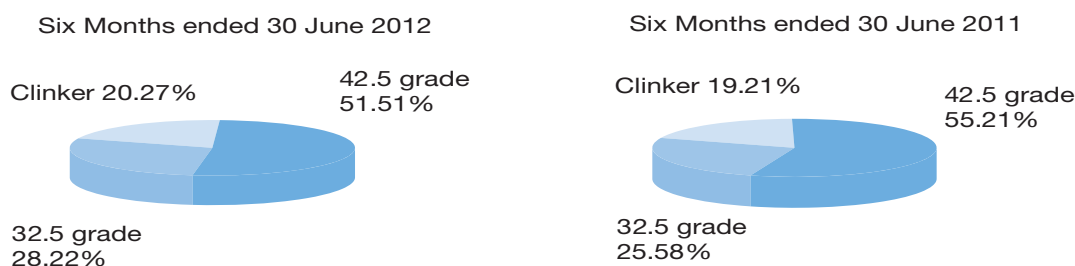
Notes:

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

### SALES BY TYPE OF PRODUCTS

During the Reporting Period, the Group's sales volume of 42.5 grade cement and 32.5 grade cement maintained a year-on-year growth. However, with the 2.17 percentage points increase in the percentage of sales volume of 32.5 grade cement, the percentage of its sales amount increased by 2.64 percentage points year-on-year, and the percentage of sales amount of 42.5 grade cement decreased by 3.7 percentage points year-on-year.

#### Percentage of sales amount by types of products



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

## IV. Management Discussion and Analysis

### PROFIT ANALYSIS

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

Item	Amount		Change from that of the corresponding period of last year (%)
	Six months ended 30 June 2012 (RMB'000)	Six months ended 30 June 2011 (RMB'000)	
Revenue from principal activities	<b>20,299,673</b>	22,118,497	(8.22)
Profit from operations	<b>3,110,803</b>	7,669,252	(59.44)
Profit before taxation	<b>3,638,550</b>	8,049,831	(54.80)
Net profit attributable to equity shareholders of the Company	<b>2,917,340</b>	5,994,050	(51.33)

During the Reporting Period, the Group's profit arising from operations amounted to RMB3,110.8 million, representing a year-on-year decrease of 59.44%, which was mainly due to the significant decline in product prices. Being affected by this factor, the profit before taxation and net profit attributable to equity shareholders of the Company decreased by 54.80% and 51.33% respectively as compared to the corresponding period of last year.

**Gross profit by type of products for the six months ended 30 June 2012 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 of last year (%)	Year-on-year change in gross profit margin (Percentage points)
42.5 grade cement	10,456,016	7,652,732	26.81	42.60	(15.79)
32.5 grade cement	5,728,933	3,846,227	32.86	46.85	(13.99)
Clinker	4,114,724	3,302,127	19.75	37.93	(18.18)
<b>Total</b>	<b>20,299,673</b>	<b>14,801,086</b>	<b>27.09</b>	<b>42.79</b>	<b>(15.70)</b>

Affected by the significant decrease in product prices, the Group recorded a consolidated gross profit margin of 27.09%, representing a decrease of 15.70 percentage points from that in the same period of last year.

## IV. Management Discussion and Analysis

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

Expenses for the period	Amount for the Reporting Period (RMB'000)	Amount for the same period of last year (RMB'000)	As a	As a	Change in
			percentage to revenue from principal activities for the Reporting Period (%)	percentage of revenue from principal activities for the same period of last year (%)	percentage of revenue from principal activities (Percentage points)
Selling expenses	962,856	800,615	4.74	3.62	1.12
Administrative expenses	889,886	702,229	4.38	3.17	1.21
Financial expenses (net)	450,114	282,140	2.22	1.28	0.94
<b>Total</b>	<b>2,302,856</b>	<b>1,784,984</b>	<b>11.34</b>	<b>8.07</b>	<b>3.27</b>

During the Reporting Period, the Group's selling, administrative and financial expenses in aggregate as a percentage of revenue from principal activities increased by 3.27 percentage points to 11.34% as compared to the corresponding period of last year. This was mainly due to the increased expenses resulting from the expansion of the Company, as well as the year-on-year decrease in revenue from principal activities resulting from the decrease in product prices.

### FINANCIAL POSITION

#### Asset and Liability Overview

As at 30 June 2012, the Group's total assets, equity attributable to shareholders of the Company and non-current liabilities, prepared in accordance with the PRC Accounting Standards, amounted to RMB81,893.2 million, RMB45,521.63 million and RMB16,616.56 million respectively, representing a decrease of 2.51%, an increase of 1.52% and a decrease of 17.62% respectively as compared to those at the beginning of this year.

As at 30 June 2012, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 41.83%, representing a decrease of 2.41 percentage points as compared to that at the end of the previous year.

Please refer to Note 25 to the Financial Accounting Report (Unaudited) in this report for information of the contingent liabilities of the Group.

## IV. Management Discussion and Analysis

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

Item	As at 30 June 2012 (RMB'000)	As at 31 December 2011 (RMB'000)	Change as at the end of the Reporting Period to those as at the beginning of the year (%)
Fixed assets	47,754,963	43,034,948	10.97
Current and other assets	34,138,232	40,968,468	(16.67)
Total assets	81,893,195	84,003,416	(2.51)
Current liabilities	17,637,047	16,991,329	3.80
Non-current liabilities	16,616,559	20,170,372	(17.62)
Minority interests	2,117,962	2,002,206	5.78
Equity attributable to shareholders of the Company	45,521,627	44,839,509	1.52

### Liquidity and Source of Funds

As at 30 June 2012, the Group's total current assets and total current liabilities, prepared in accordance with the PRC Accounting Standards, amounted to RMB18,797.48 million and RMB17,637.05 million respectively. The current ratio was 1.07:1 (end of last year: 1.52:1). The Group's total current assets and total current liabilities, prepared in accordance with the IFRS, amounted to RMB19,100.5 million and RMB17,637.05 million respectively. The net gearing ratio was 0.36 (end of last year: 0.32).

## IV. Management Discussion and Analysis

Maturity analysis of bank loans and other borrowings of the Group as at 30 June 2012 is as follows:

	<b>As at 30 June 2012 (RMB'000)</b>	As at 31 December 2011 (RMB'000)
Due within 1 year (inclusive of 1 year)	<b>6,757,125</b>	3,197,073
Due after 1 year but within 2 years (inclusive of 2 years)	<b>3,501,603</b>	5,192,272
Due after 2 years but within 5 years (inclusive of 5 years)	<b>2,458,068</b>	4,553,568
Due after 5 years	<b>350,000</b>	27,273
Total	<b>13,066,796</b>	12,970,186

As at 30 June 2012, the Group's bank borrowings due within 1 year amounted to RMB6,757.13 million, representing an increase of RMB3,560.05 million (up by 111.35%) as compared to those at the beginning of the year. The increase was mainly attributable to the change from the item in 2010 of the Group's borrowings of three-year medium-term notes from Conch Holdings, the controlling shareholder of the Company, to the item in 2012 of loans due within 1 year in 2010. In addition, among the corporate bonds with principal amounts of RMB9.5 billion issued by the Company in 2011, amounts of RMB2.5 billion and RMB7 billion will fall due in 2016 and 2018 respectively.



## IV. Management Discussion and Analysis

### Analysis of Cash Flow

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

	Six months ended 30 June 2012 (RMB'000)	Six months ended 30 June 2011 (RMB'000)
Net cash flows generated from operating activities	<b>6,732,739</b>	5,175,032
Net cash flows generated from investment activities	<b>(5,688,168)</b>	(7,719,011)
Net cash flows generated from financing activities	<b>(3,092,615)</b>	7,697,141
Net increase/(decrease) in cash and cash equivalents	<b>(2,048,044)</b>	5,153,162
Balance of cash and cash equivalents at the beginning of the period	<b>7,747,188</b>	2,689,149
Balance of cash and cash equivalents at the end of the period	<b>5,699,144</b>	7,842,311

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB6,732.74 million, representing an increase of RMB1,557.71 million as compared to the corresponding period of last year. Such increase was mainly because the Group has reasonably controlled the receipt of bank acceptance notes while actively endorsed bank acceptance notes to external parties and so the net cash outflow decreased, which have led to an increase of cash flow generated from operating activities.

The Group's net cash outflows generated from investment activities amounted to RMB5,688.17 million, representing a decrease of RMB2,030.84 million as compared to the corresponding period of last year, mainly due to the Group's decrease in financial investments as compared to the corresponding period of last year.

The Group's net cash outflows generated from financing activities amounted to RMB3,092.62 million, representing a decrease of RMB10,789.76 million as compared to the corresponding period of last year, primarily resulting from the Group's decrease in cash generated from financing activities and increase in dividends and bond interests paid during the Reporting Period.

### Capital Expenditure

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB4.739 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 project merger and acquisition expenditure.

## IV. Management Discussion and Analysis

As at 30 June 2012, 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:

	<b>As at 30 June 2012 (RMB'000)</b>	As at 31 December 2011 (RMB'000)
Authorized and contracted for	<b>2,870,571</b>	2,805,495
Authorized but not contracted for	<b>6,615,817</b>	8,222,401
<b>Total</b>	<b>9,486,388</b>	11,027,896

### EXCHANGE RATE RISK AND RELATED HEDGING BY FINANCIAL INSTRUMENTS

During the Report Period, the Group considers that the exchange rate risk exposed to and the related hedging by financial instruments used by the Group did not have a material change comparing with that having been disclosed in the annual report 2011 of the Group.

### INVESTMENT IN PROJECTS

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

The net proceeds ("Proceeds") raised from the public offer of shares of the Company in 2008 amounted to RMB11,282.06 million. As at 30 June 2012, interests earned from the Proceeds amounted to RMB108.79 million. The Company utilized RMB11,303.64 million of the Proceeds (including part of the interests), and the balance of the Proceeds amounted to RMB87.21 million. During the Reporting Period, the Proceeds were used by the Group in the following projects:

Item	Description of the projects	Progress of the project	(Unit: RMB'000)	
			Fund used during the Reporting Period	Gain from the project during the Reporting Period
1	4x4,500t/d cement and clinker production lines project of Chizhou Conch	In operation	82,160	103,140
2	4,500t/d cement and clinker production line project (phase two) of Beiliu Conch	In operation	2,450	24,680
3	2x18MW residual heat electricity generation projects of Chizhou Conch	In operation	30,870	52,790
4	The technology upgrade of the 18MW pure low temperature residual heat electricity generation project of Beiliu Conch	In operation	750	30,910
<b>Total</b>			<b>116,230</b>	<b>211,520</b>

## IV. Management Discussion and Analysis

### 2. Major projects during the Reporting Period which have used funds other than the Proceeds

(Unit: RMB'000)				
Item	Description of the projects	Progress of the project	Fund used during the Reporting Period	Gain from the project during the Reporting Period
1	2×4,500t/d cement and clinker production line and 18MW residual heat electricity generation project of Zunyi Conch	Under construction	354,200	-
2	4,500t/d cement and clinker production lines (phase one) and 9MW residual heat electricity generation project of Suzhou Conch	In partial operation	265,260	-
3	4,500t/d cement and clinker production lines (phase one) and 9MW residual heat electricity generation project of Jianghua Conch	Under construction	260,020	-
4	4,500t/d cement and clinker production lines (phase two) and 9MW residual heat electricity generation project of Guiyang Conch	In operation	149,560	8,040
5	2×12,000t/d clinker production lines (phase three) and 36MW residual heat electricity generation project of Wuhu Conch	In operation	142,000	81,370
6	2,500t/d cement and clinker production line and 4.5MW residual heat electricity generation project of Longling Conch	In operation	130,700	(7,520)
7	4,500t/d cement and clinker production lines (phase one) and 9MW residual heat electricity generation project of Yiyang Conch	Under construction	109,110	-
8	12,000t/d cement and clinker production line and 18MW residual heat electricity generation project of Tongling Conch	In operation	80,990	51,010
9	50,000t/a refractory materials project of Conch Siam	Under construction	64,020	-
<b>Total</b>			<b>1,555,860</b>	<b>132,900</b>

## IV. Management Discussion and Analysis

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

- (1) On 5 April 2012, the Company invested and established Bazhong Conch Cement Co., Ltd., which is located in Nanjiang County, Bazhong City, Sichuan Province, with a registered capital of RMB280 million. The Company owns 100% of its equity interests.
- (2) On 9 April 2012, the Company invested and established Wenshan Conch Cement Co., Ltd., which is located in Yanshan County, Wenshan City, Yunnan Province, with a registered capital of RMB280 million. The Company owns 100% of its equity interests.

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

- (1) *Bozhou Conch Cement Co., Ltd.*

On 17 January 2012, the Company and Song Houjin, the legal representative of Woyang Longshan Cement Plant (“Longshan Cement Plant”), jointly invested in cash into and established Bozhou Conch Cement Co., Ltd. (“Bozhou Conch”) to acquire the entire assets of Longshan Cement Plant.

Bozhou Conch has a registered capital of RMB30 million, of which RMB21 million is attributable to the Company (representing 70% of the equity interests in Bozhou Conch); and RMB9 million is attributable to Song Houjin (representing 30% of the equity interests in Bozhou Conch). With a target to build a 2 million tonnes per annum cement grinding mill plant, Longshan Cement Plant has currently established a set of cement grinding mill system with a capacity of 1.1 million tpa. On 5 February 2012, the procedures for the relevant transfer of assets were completed.

- (2) *Sichuan Nanwei Cement Co., Ltd.*

On 8 January 2012, the Company entered into an equity transfer agreement with the then shareholders of Sichuan Nanwei Cement Co., Ltd. (“Nanwei Cement”), namely Xingchuancheng Cement and Nanjiang Mining, in relation to the acquisition of 100% equity interests in Nanwei Cement.

Nanwei Cement has a registered capital of RMB168 million. Currently, it has established a 2,500t/d cement and clinker production line, together with the ancillary cement grinding system and residual heat electricity generation unit. On 14 February 2012, the procedures for the relevant transfer of equity interests and change of business registration with the industrial and commerce authority were completed.

## IV. Management Discussion and Analysis

### (3) *Zhenjiang Beigu Conch Cement Co., Ltd.*

On 13 April 2012, the Company and Jiangsu Beigu Cement Co., Ltd. (“Jiangsu Beigu Cement”, located in Zhenjiang City, Jiangsu Province) jointly invested and established Zhenjiang Beigu Conch Cement Co., Ltd. (“Zhenjiang Conch”) to acquire the relevant assets of Jiangsu Beigu Cement.

Zhenjiang Conch has a registered capital of RMB50 million, of which RMB40 million is attributable to the Company (representing 80% of the equity interests in Zhenjiang Conch); and RMB10 million is attributable to Jiangsu Beigu Cement (representing 20% of the equity interests in Zhenjiang Conch). Jiangsu Beigu Cement owns a cement grinding production line with an annual production capacity of 1 million tonnes and a slag grinding production line with an annual production capacity of 200,000 tonnes. On 9 May 2012, the procedures for the relevant transfer of assets were completed.

### (4) *Hami Hongyi Construction Material Co., Ltd.*

On 7 April 2012, the Company entered into an equity transfer agreement with the then shareholders of Hami Construction Material, namely Hongyi Investment Co., Ltd. and Song Wei, in relation to the acquisition of 80% equity interests in Hami Construction Material.

Hami Construction Material has a registered capital of RMB100 million. Currently, it owns one set of 3,000t/d new dry-process cement and clinker production line, together with an ancillary cement grinding production line with a capacity of 1.2 million tpa. On 4 May 2012, the procedures for the relevant transfer of equity interests and change of business registration with the industrial and commerce authority were completed.

### (5) *Guangxi Lingyun Tonghong Cement Co., Ltd.*

On 9 April 2012, the Company entered into an equity transfer agreement with the then shareholders of Guangxi Lingyun Cement, namely Shanghai Tonghong Industrial Co., Ltd. and Huang Huiping, in relation to the acquisition of 80% equity interests in Guangxi Lingyun Cement.

Guangxi Lingyun Cement has a registered capital of RMB80 million. Currently, it owns one set of 3,000t/d new dry-process cement and clinker production line, together with an ancillary cement grinding production line with a capacity of 1.2 million tpa. On 18 April 2012, the procedures for the relevant transfer of equity interests and change of business registration with the industrial and commerce authority were completed.

## IV. Management Discussion and Analysis

### PROSPECTS FOR THE SECOND HALF OF THE YEAR

In the second half of 2012, the PRC government will continue to maintain the sustainability and stability of its macro-economic policy and adopt a proactive fiscal policy and a prudent monetary policy to enable China to maintain a moderate and stable economic growth. The cement industry will still face challenges, yet there will also be opportunities. At the supply side, the massive increase in production capacity will gradually yield output in the second half of the year, and therefore competition in the cement industry is expected to remain intense. At the demand side, as affected by various factors such as the macro-economic control over the real estate sector, the market demand for cement slackened. However, with the implementation of easing policies by the PRC government and the commencement of various infrastructure projects regarding railroad, highways, water resources and other infrastructure construction across the country, the cement demand is expected to increase. Meanwhile, the further decline of the energy price (such as coal price) will help to reduce production costs and enhance efficiency for enterprises. With the furthering and deepening of the sustainable economic structural adjustment, it is expected that small cement enterprises with weaker competitiveness will encounter great pressure for survival in the near future, while major enterprises may take the opportunity to merge with and acquire regional cement enterprises to expedite the consolidation of the industry, which will in turn facilitate the improvement in concentration of the industry as well as the growth of the major enterprises.

In the second half of 2012, the Group is determined to capture every opportunity and to overcome difficulties and stand up to challenges. The Group will continue to strengthen its internal management and optimize its equipment operation index, and take advantage of the bulk procurement in order to lower the production and operation costs effectively. The Group will also proactively explore overseas markets so as to enhance its market share and consolidate its market control. In respect of project development, the Company will proactively progress the construction of undergoing projects such as Zunyi Conch and Jianghua Conch, while steadily proceed with the overseas projects such as projects in South Kalimantan of Indonesia to strive for an earlier commencement of construction. Meanwhile, the Group will enhance the magnitude of the merger and acquisition of projects and perfect domestic market layout in order to achieve a sustainable and healthy growth.

## V. Significant Events

### (1) CORPORATE GOVERNANCE

The Company operated in accordance with the Company Law, Securities Law, the Articles of the Company and domestic and foreign listing rules. The Company's general meetings, the Board, the supervisory committee and other professional committees under the Board assumed their respective functions with check and balance from each other and made their respective decisions in an independent, efficient and transparent manner. During the Reporting Period, the Company held one general meeting, two physical meetings of the Board, and had resolutions passed by the Board by way of telecommunications and written resolutions for 18 times. Three meetings of the audit committee (including one physical meeting and two meetings convened by means of telecommunications), one meeting of the remuneration and nomination committee of the Board and one meeting of the supervisory committee were held.

During the Reporting Period, the Company continued to improve its corporate governance structure in accordance with the latest domestic and foreign regulatory requirements. The Company modified its "Written Terms of Reference of the Remuneration and Nomination Committee of the Board of Directors" and enlarged the scope of the duties and responsibilities of such committee to enhance its functions and roles. Moreover, given that the term of office of an independent non-executive Director of the Company had expired during the Reporting Period, the Board nominated a new independent non-executive Director candidate in time, who was then appointed as independent non-executive Director by election at the 2011 annual general meeting of the Company, so as to ensure that the proportion of independent directors to all members of the Board is in compliance with the relevant statutory requirements.

Internal control is an important part of corporate governance. Following the relevant provisions of "Implementation Guidelines for Enterprise Internal Control" jointly promulgated by five ministries and committees (including the Chinese Ministry of Finance and CSRC) and in response to the CSRC's requirements for listed companies with A-shares and H-shares to take the lead in implementing enterprise internal control and the basic regulations on and implementation guidelines for internal control, the Company has implemented a series of effective measures such as establishment of internal control building in pilot units, promotion of internal control building and self-assessment of internal control standards pursuant to the Company's own working plan and implementation proposals regarding the establishment of a sound internal control system formulated by the Company, so that the Company's internal control regulation system was basically set up and has been performing efficiently. During the Reporting Period, the Company has passed the specific inspection regarding its internal control implementation in 2011 by CSRC of Anhui Province, the PRC.

## V. Significant Events

### (2) PROFIT DISTRIBUTION

#### 1. Formulation and implementation of the cash dividend policy of the Company

The Article 169A of the Articles of Association of the Company provides that “The Company shall implement a proactive profit appropriation method, and its profit appropriation policy shall maintain continuity and stability. Where the Company realises profit for any financial year, the Board shall propose to the annual general meeting a cash dividend distribution proposal. If a cash dividend distribution proposal is not so made, the reason therefore should be disclosed in its regular report, and the independent directors shall issue an independent opinion on this matter. Should there be any misappropriation of the Company’s funds by any shareholder of the Company, the Company shall deduct the amount of funds misappropriated from the cash dividends to which such shareholder is entitled, so that the funds misappropriated shall be repaid accordingly.”

The Board of the Company has attached importance to the implementation of the cash dividend policy. In formulating the profit distribution proposal, the Board shall strictly follow the requirements of the Articles of Association of the Company, consult with the independent Directors and sufficiently consider the opinion of and requests by the minority shareholders. The Board shall perform the consideration and approval procedures of general meetings and execute the profit distribution proposal in accordance with the resolution of general meetings.

During the Reporting Period, pursuant to the Circular on the Further Implementation of Matters Relevant to Cash Dividend by Listed Companies (Zhengjianfa [2012] NO. 37) issued by the CSRC, the Company amended the relevant clauses of the Articles of Association in a timely manner, which made definite the criteria and proportion for the distribution of cash dividends and further perfected its cash dividend policy. These amendments were approved by the Board on 4 July 2012, subject to consideration and approval by the shareholders at the Company’s first extraordinary general meeting for the year 2012 which is to be held on 21 August 2012. For further details, please refer to the Company’s announcement dated 5 July 2012 and published on the SSE website and Shanghai Securities Journal and the Company’s announcement dated 4 July 2012 and published on the website of the Stock Exchange and the website of the Company.



## V. Significant Events

### 2. Implementation of the 2011 profit distribution proposal of the Company

On 31 May 2012, the profit distribution proposal for the year 2011 was approved at the 2011 annual general meeting of the Company. On the basis of 5,299,302,579 shares which is the total number of shares in issue of the Company, under such proposal, the Company paid to all its shareholders a cash dividend of RMB3.50 (tax inclusive) for every 10 shares held. A net cash dividend (after tax) of RMB3.15 was paid for every 10 shares held, and the total cash dividends paid amounted to RMB1,854,755,902.65 (tax inclusive). As of 20 June 2012, the above dividend was paid to all the shareholders whose names were recorded on the register of members on the relevant record date.

### 3. No profit or interim dividend distribution proposal was proposed by the Board and no surplus reserve was transferred to share capital for the first half of 2012.

### (3) MATERIAL LITIGATION AND ARBITRATION

During the six months ended 30 June 2012, the Group was not involved in any litigation or arbitration which might have a material impact on the Group's business operation and management, nor was any of the Directors, supervisors or members of senior management of the Company involved in any material litigation or arbitration.

### (4) SHAREHOLDINGS IN OTHER LISTED COMPANIES AND TRADING OF SHARES OF OTHER LISTED COMPANIES

#### 1. As at the end of the Reporting Period, the Group's shareholdings in other listed companies are set out as follows:

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	423,002,418	-	(22,745,242)
000401	Jidong Cement	2,337,225,506	13.77	2,608,465,443	-	(363,162,952)
000885	Tongli Cement	44,349,667	1.18	40,095,900	-	5,442,225
600425	Qingsong Building Materials and Chemicals	1,864,434,000	19.99	1,864,434,000	-	-
<b>Total</b>		<b>4,344,028,868</b>	<b>-</b>	<b>4,935,997,761</b>	<b>-</b>	<b>(380,465,969)</b>

Note: The shares in Chaodong Cement, Jidong Cement and Tongli Cement held by the Group were recognized in "Available-for-sale financial assets"; while shares in Qingsong Building Materials and Chemicals were included in "Long-term equity investments".

## V. Significant Events

- 2. During the Reporting Period, the Group did not trade any shares of other listed companies.**

### (5) ACQUISITIONS OF MATERIAL ASSETS

On 12 June 2012, the Company and Wuhu Conch (a wholly-owned subsidiary of the Company) entered into the share subscription agreement for the privately placed shares of Qingsong Building Materials and Chemicals (“Share Subscription Agreement”) with Qingsong Building Materials and Chemicals, respectively. The Company subscribed for 107,800,000 shares of Qingsong Building Materials and Chemicals, representing 15.64% of its total shares after private placement (ie. 689,395,043 shares), while Wuhu Conch subscribed for 30,000,000 shares, representing 4.35% of its total shares after private placement. The Company and Wuhu Conch aggregately held 137,800,000 shares of Qingsong Building Materials and Chemicals, representing 19.99% of its total shares. Both the Company and Wuhu Conch subscribed for the shares of Qingsong Building Materials and Chemicals at a price of RMB13.53 per share with a total amount of RMB1,864,434,000.

The above-mentioned share subscription was completed on 19 June 2012. Under the Share Subscription Agreement, the Company and Wuhu Conch shall not transfer the said 137,800,000 shares during 12 months from the date of the transfer of the relevant shares to them.

The transaction of subscription for shares of Qingsong Building Materials and Chemicals would not affect the continuity of business and stability of management of the Group, and also had no material effect on its financial position and operational results.

### (6) CONNECTED TRANSACTIONS

During the Reporting Period, the Group entered into the following significant connected transactions under the SSE Listing Rules and the HKSE Listing Rules:

#### 1. Connected transactions or continuing connected transactions related to daily operations

##### (1) Use of trademarks

On 23 September 1997, the Company and Conch Holdings, being its controlling shareholder, 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.

During the Reporting Period, the Group had not yet paid the above licence fee to Conch Holdings. 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 the independent shareholders’ approval requirement.

##### (2) Transaction with Sanshan Port – procurement of diesel oil and sale of concrete aggregate

On 26 March 2012, the Board of the Company approved two connected transactions between the Group and Sanshan Port: (1) the Company and Sanshan Port entered into a naphtha supply contract, pursuant to which Sanshan Port will supply the Company’s subsidiaries located in Anhui Province with diesel oil needed for production, with the purchase price being RMB112.2 million and the validity period of one year; (2) Chizhou Conch (a wholly-owned subsidiary of the Company) and Sanshan Port entered into a concrete aggregate supply agreement, pursuant to which Chizhou Conch will sell concrete aggregate (namely commercial limestone) to Sanshan Port, with the selling price being RMB18 million and the validity period of one year.

## V. Significant Events

Under the SSE Listing Rules and the relevant regulations of CSRC, as Conch Venture holds 5.41% of the Company's shares, Conch Venture is regarded as a connected person of the Group, and as Sanshan Port is a subsidiary of Conch Venture and thus a person acting in concert with Conch Venture, Sanshan Port is also regarded as a connected person of the Group. In addition, as Mr. Wang Jun (a supervisor of the Company) serves as the chairman of Sanshan Port, and Sanshan Port is a connected person of the Group, the above transaction constituted a connected transaction under the SSE Listing Rules. In accordance with HKSE Listing Rules, Sanshan Port is not regarded as a connected person of the Group, so the above transaction did not constitute a connected transaction under the HKSE Listing Rules.

As the suppliers of diesel oil in Anhui Province are mainly CNPC and CPEC (hereinafter referred to as "independent third parties"), diesel oil is regarded as monopolized goods and subject to more restrictions in supply and price. In order to break this pattern, all the clinker bases of the Company located along the Yangtze River in Anhui province chose to procure part of diesel oil from Sanshan Port, which will facilitate the expansion of the diesel oil procurement channels of the Company and enhance the bargain power so as to ensure the diesel oil supply of the Company and lower the procurement costs. Moreover, Sanshan Port enjoys advantages over independent third parties with more convenient logistics and comprehensive services. Due to several market factors, the diesel oil market changes more quickly and the diesel oil price fluctuates frequently, therefore the Company purchased diesel oil from Sanshan Port at prices which will be adjusted in line with the market conditions, with monthly settlement price determined through negotiations between the parties mainly based on the prevailing market prices, provided such settlement price shall not be higher than the purchase price offered to the Company by its independent parties. The procurement of diesel oil would be settled on a monthly basis.

Over 90% of the commercial limestone produced by Chizhou Conch was supplied to our subsidiaries which operated grinding mill plants, where it is used as blended materials for production of cement, while the remaining less than 10% of the limestone was sold to external parties as concrete aggregate. Given the extensive number of customers and strong logistics advantage of Sanshan Port, Chizhou Conch decided to sell part of the concrete aggregate to this company, as it will help Chizhou Conch to speed up the market exploiting, increase the sales volume and lower the unit production cost of concrete aggregate effectively. The price at which Chizhou Conch sold concrete aggregate to Sanshan Port was mainly determined with reference to the market price of the same kind of products in the same region. The sale of concrete aggregate would be settled on a monthly basis.

## V. Significant Events

During the Reporting Period, the Group procured diesel oil from Sanshan Port for an amount of RMB47,247,300; Chizhou Conch sold concrete aggregate to Sanshan Port for an amount of RMB515,200.

For further details, please refer to the Company's announcement dated 26 March 2012 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 27 March 2012 and published on the SSE website and Shanghai Securities Journal. This connected transaction is not subject to the independent shareholders' approval requirements.

### (3) *Transaction with Haichang Port – coal transfer services*

On 26 March 2012, as approved by the Board, Shanghai Logistic (a wholly-owned subsidiary of the Company) and Haichang Port entered into a port operation contract, pursuant to which Haichang Port will provide coal transfer services to the subsidiaries of the Company located along the Yangtze River, with the contract sum being RMB90 million and the validity period of one year.

Under the SSE Listing Rules, as Conch Venture holds 5.41% of the Company's shares, Conch Venture is regarded as a connected person of the Group, and as Haichang Port is a subsidiary of Conch Venture and thus a person acting in concert with Conch Venture, Haichang Port is also regarded as a connected person of the Group. Accordingly, the above transaction constituted a connected transaction under the SSE Listing Rules. In accordance with HKSE Listing Rules, Haichang Port is not regarded as a connected person of the Group, so the above transaction did not constitute a connected transaction under the HKSE Listing Rules.

Haichang Port has three 100,000-ton deep-water berths which can accommodate various types of large vessels. It is equipped with coal washing and blending facilities that are able to meet the different demands for coal quality of the various pits of the Company's production bases located along the Yangtze River. Moreover, the ports of Haichang Port has strong bulk cargo storage capacity, which can store a huge amount of coal. With respect to the management, the Group decided to cooperate with Haichang Port due to its outstanding comprehensive advantages in centralized management of its staff, enclosed workplace and relatively simple user base, which can effectively prevent mix-up of commodities in and out of the port.

The fees charged by Haichang Port for its coal transfer services provided to the Group were determined mainly with reference to the prevailing market prices and the fees charged by other ports which were independent third parties to the Group for the same kind of services provided to the Group, but such fees shall not be higher than the prices offered by Haichang Port to its independent customers. The provision of coal transfer services would be settled in respect of each vessel of coals within 30 days after the coals are transferred.

## V. Significant Events

During the Reporting Period, the Group has taken the coal transfer services of Haichang Port for an amount of RMB1,417,300.

For further details, please refer to the Company's announcement dated 26 March 2012 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 27 March 2012 and published on the SSE website and Shanghai Securities Journal. This connected transaction is not subject to the independent shareholders' approval requirements.

### (4) *Transactions with Longshan Cement – procurement of clinker*

On 15 May 2012, as approved by the Board, each of Jiangmen Conch and Foshan Conch (both being wholly-owned subsidiaries of the Company) entered into a cement clinker sale and purchase contract respectively with Longshan Cement, in relation to the procuring of clinker from Longshan Cement, pursuant to which, Jiangmen Conch and Foshan Conch will procure clinker from Longshan Cement at a maximum price of RMB 142.5 million/year and RMB 85.5 million/year respectively. The validity period of the contract commenced from 15 May 2012 and will expire on 31 December 2014.

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 Upper Value Investments Limited (a company incorporated under the laws of British Virgin Islands, and a wholly-owned subsidiary of TCC International Holdings Limited). 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. Accordingly, under the HKSE Listing Rules, Longshan Cement is a connected person of the Company and the above-mentioned transactions constitute continuing connected transactions of the Company. 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 also constitute connected transactions of the Company under the SSE Listing Rules.

## V. Significant Events

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 when determining whether it would procure clinker from Longshan Cement or other independent suppliers. The purchase prices would be settled on a monthly basis.

During the Reporting Period, Jiangmen Conch procured clinker from Longshan Cement for an amount of RMB118,710,100, which did not exceed the cap of RMB142.5 million as prescribed under the said cement clinker sale and purchase contract; and Foshan Conch procured clinker from Longshan Cement for an amount of RMB48,818,300 which did not exceed the cap of RMB85.5 million as prescribed under the said cement clinker sale and purchase contract.

For further details, please refer to the Company's announcement dated 15 May 2012 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 16 May 2012 and published on the SSE website and Shanghai Securities Journal. These continuing connected transactions are not subject to the independent shareholders' approval requirements.

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

On 15 May 2012, 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 contract 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 not more than RMB20.5 million per annum. The term of the said contract commenced from 15 May 2012 and will expire on 31 December 2014.

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

During the Reporting Period, Prosperity Conch and Longshan Cement mutually procured spare parts and production ancillary materials at an amount of RMB8,637,700, which did not exceed such cap as prescribed under the said spare parts and production ancillary materials procurement contract.

## V. Significant Events

For further details, please refer to the Company's announcement dated 15 May 2012 published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 16 May 2012 published on the SSE website and Shanghai Securities Journal. These continuing connected transactions are not subject to the independent shareholders' approval requirements.

### 2. Residual heat electricity generation projects

On 15 May 2012, 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 to certain subsidiaries of the Company. The aggregate contract sum amounted to RMB367.5 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 regarded as a connected person of the Company. As such, the above transaction constituted a connected transaction of the Company under the SSE Listing Rules. The above transaction did not constitute a connected transaction of the Company under the HKSE Listing Rules.

Kawasaki Heavy Industries Ltd. ("Kawasaki Heavy Industries"), a shareholder of Conch Kawasaki Engineering, possesses internationally advanced residual heat electricity generation technology. Conch Kawasaki Engineering has been granted the right to use such residual heat electricity generation technology of Kawasaki Heavy Industries. Since Conch Kawasaki Engineering is principally engaged in the design of residual heat electricity generation projects for cement production industry and manufacture of relevant key components and is currently one of the main service providers for construction of residual heat electricity generation projects in China, it has the necessary supply network and bargain capability to acquire relevant equipments for residual heat electricity generation projects from suppliers at lower cost.

The price as stipulated in the aforesaid equipment supply and design contract was mainly determined through negotiations between the parties based on the scale of such projects, various technical specifications, the prevailing market prices of such services and the prices charged by Conch Kawasaki Engineering against other customers, provided that such price shall not be higher than that offered by Conch Kawasaki Engineering to other independent customers.



## V. Significant Events

During the Reporting Period, in the context of the performance of the above equipment supply and design contract (and only such contract), the Group had paid the relevant equipment price and design fee totalling RMB23,686,300 to Conch Kawasaki Engineering. In connection with the performance of 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 RMB186,794,100.

For further details, please refer to the Company's announcement dated 15 May 2012 and published on the websites of the Stock Exchange and the Company respectively, and the Company's announcement dated 16 May 2012 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 15 May 2012, 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 the CK raw material milling equipment from Conch Kawasaki Energy Conservation, which would be installed at the cement clinker production lines of certain subsidiaries of the Company including Suzhou Conch and Yiyang Conch. The total contract sum was RMB149 million.

Conch Kawasaki Energy Conservation 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 Energy Conservation, under the SSE Listing Rules, Conch Kawasaki Energy Conservation is regarded as a connected person of the Company. As such, the above transaction constituted a connected transaction of the Company under the SSE Listing Rules. The above transaction did not constitute a connected transaction of the Company under the HKSE Listing Rules.

Kawasaki Heavy Industries, a shareholder of Conch Kawasaki Energy Conservation, possesses internationally advanced technology on the design and manufacturing of CK milling equipments. Kawasaki Heavy Industries has developed wide market for its products worldwide and its products well-recognized by its customers. Conch Kawasaki Energy Conservation has been granted the right to use such technology of Kawasaki Heavy Industries on the design and manufacturing of CK milling equipments. The functioning of the milling equipment provided by Conch Kawasaki Energy Conservation is more reliable, the equipment is also easier to be maintained and more efficient and energy-saving. Meanwhile, the purchase price of the milling equipment to be purchased from Conch Kawasaki Energy Conservation is lower than that purchased from overseas suppliers. Further, the procurement period is shorter than that of the imported milling equipment.

## V. Significant Events

The price stipulated in the said CK milling equipment supply contract 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 not yet paid the relevant equipment price to Conch Kawasaki Energy Conservation. In connection with the performance of other similar contracts entered into in previous years, the total equipment price paid to Conch Kawasaki Energy Conservation during the Reporting Period amounted to RMB85,547,500.

For further details, please refer to the Company's announcement dated 15 May 2012 and published on the websites of the Stock Exchange and the Company respectively, and the Company's announcement dated 16 May 2012 and published on the SSE website and Shanghai Securities Journal. Such connected transaction is not subject to the independent shareholders' approval requirements.

### 4. Design of cement and clinker engineering projects

On 15 May 2012, 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 to 18 subsidiaries of the Company including Suzhou Conch and Bozhou Conch. The aggregate contract sum amounted to RMB89.8 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 and, accordingly the above transaction constituted a connected transaction of the Company. Under the SSE Listing Rules, Conch Design is a connected person of the Company and, accordingly, the above transaction constituted a connected transaction of the Company.

## V. Significant Events

Conch Design has extensive experience in building materials industry design and cement technology development, with a Grade A qualification in the relevant industry. The design and technical service contract and the relevant transactions were concluded on normal commercial terms after arm's length negotiation, which would help to improve design efficiency and lower design costs, and was in the interests of the Company and its shareholders as a whole. The design fee was determined by the parties after arm's-length negotiations between the parties 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 would be settled according to 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 RMB4.34 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 RMB28,096,500.

For further details, please refer to the Company's announcement dated 15 May 2012 and published on the websites of the Stock Exchange and the Company respectively, and the Company's announcement dated 16 May 2012 and published on the SSE website and Shanghai Securities Journal. Such connected transaction is not subject to the independent shareholders' approval requirements.

### 5. Purchase of industrial plants and their land using rights of Conch Venture

On 18 January 2012, as approved by the Board, the Company and Conch Venture entered into an assets transfer agreement, pursuant to which the parties agreed that the industrial plants located at Hi-tech Energy Saving Equipments Manufacturing Base No. 4 and 5 of Yijiang District, Wuhu City, Anhui Province and the relevant land using rights owned by Conch Venture were granted to the Company at the price of RMB220 million.

Under the SSE Listing Rules, as Conch Venture is a shareholder holding more than 5% of the Company's shares, and Guo Wensan, Guo Jingbin and Ji Qinying (all being the Directors of the Company) serve as directors of Conch Venture, Conch Venture is regarded as a connected person of the Company, and the transaction constituted a connected transaction of the Company under the SSE Listing Rules. The above transaction did not constitute a connected transaction of the Company under the HKSE Listing Rules.

The assets transfer price was determined after arm's-length negotiations between the parties, with reference to the appraisal value of RMB220.0166 million (book value of RMB202.0466 million) evaluated by Anhui Guoxin Assets Evaluation Co., Ltd. (a professional evaluation organization with qualifications on securities and futures in China).

## V. Significant Events

During the Reporting Period, the Company has paid the assets transfer amount of RMB220 million to Conch Venture by a one-off payment with its owned funds.

For further details, please refer to the Company's announcement dated 18 January 2012 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 19 January 2012 and published on the SSE website and Shanghai Securities Journal. This connected transaction is not subject to the independent shareholders' approval requirements.

### (7) MATERIAL CONTRACTS

1. The Company was not involved in any material custody, contracting or leasing of assets of other companies, nor were any other companies involved in any custody, 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.

During the Reporting Period, the guarantees provided by the Company for its subsidiaries amounted to RMB225 million, all being guarantees for collateral liabilities; as at 30 June 2012, the balance of guarantees provided by the Company for its subsidiaries amounted to RMB2,125.75 million, representing 4.86% of the net assets of the Company at the end of the Reporting Period.

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.

As at 30 June 2012, Ningguo Cement Plant and Baimashan Cement Plant of Anhui Conch Cement Company Limited (being branch companies of the Company) pledged their assets having a book value of approximately RMB577 million to International Finance Corporation as security for their long-term loan in the sum of RMB650 million.

## V. Significant Events

As at 30 June 2012, Guangxi Sihe Industrial Trading Co., Ltd. (being a majority-owned subsidiary of the Company) pledged its assets amounting to a book value of RMB83.01 million as security for its loan of RMB28 million from a financial institution.

As at 30 June 2012, Guangxi Lingyun Cement (being a majority-owned subsidiary of the Company) pledged its assets amounting to a book value of RMB39.85 million as security for its bank borrowings of RMB83.33 million.

As at 30 June 2012, Hami Construction Material (being a majority-owned subsidiary of the Company) pledged its assets amounting to a book value of RMB86.79 million as security for its bank borrowings of RMB32.5 million.

### 3. Financial Entrustment

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 own working capital for financial entrustment, among which, a trust plan with trust fund amounting to RMB750 million for a term of one year was set up with Sichuan Trust Co., Ltd. (“Sichuan Trust”) and the expected annualized rate of return is 8.50%. The Company is the settlor as well as the beneficiary under this trust plan, while Sichuan Trust is the trustee of this trust plan. On 15 June 2012, the Company received the full amount of principal for the trust plan of RMB750 million and the net gain from the wealth management amounting to approximately RMB63.92 million.

For further details of the above entrustment plans, please refer to the Company’s announcement dated 18 June 2012 and published on the websites of the Stock Exchange and the Company respectively, and the Company’s announcement dated 19 June 2012 and published on the SSE website and Shanghai Securities Journal.

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

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

### (9) AUDIT COMMITTEE

An audit committee (“Audit Committee”) has been established by the Company. The terms of reference adopted by the Audit Committee complied with the requirements of the Code Provisions. The Audit Committee is responsible for the review and supervision of financial reporting procedures and the internal control system of the Group as well as the giving of advice and recommendations to the Board. This half-year report of 2012 of the Company has been reviewed by the Audit Committee.

## V. Significant Events

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

During the Reporting Period, Mr. Wang Yanmou (“Mr. Wang”), a supervisor of the Company, was censured by the Stock Exchange in relation to the breaches of certain provisions of the HKSE Listing Rules by Zhejiang Glass Company Limited (“Zhejiang Glass”, a company listed on the Main Board of the Stock Exchange, stock code: 739). The Stock Exchange concluded that Mr. Wang, as an independent non-executive director of Zhejiang Glass, and certain other directors of Zhejiang Glass were during the relevant period in breach of the “Director’s Declaration and Undertaking” given by them to the Stock Exchange pursuant to the HKSE Listing Rules for failing to use their best endeavours to procure Zhejiang Glass to comply with the HKSE Listing Rules in that these directors (including Mr. Wang) had failed to ensure that Zhejiang Glass had adequate internal controls in place to ensure Zhejiang Glass’ compliance with the HKSE Listing Rules.

For further details, please refer to the Company’s announcement dated 3 July 2012 and published on the websites of the Stock Exchange and the Company respectively, and the Company’s announcement dated 4 July 2012 and published on the SSE website.

Save as disclosed above, none of the Company, its directors, supervisors, senior management, controlling shareholder and de facto controller were subject to any penalties by the relevant authorities.

### (11) OTHER SIGNIFICANT EVENTS

On 4 July 2012, the Board considered and passed the resolution on the issuance of corporate bonds in an aggregate principal amount of not more than RMB6 billion within the PRC, which will be submitted at the Company’s first extraordinary general meeting for 2012 (which is expected to be held on 21 August 2012) for consideration and approval.

For further details, please refer to the Company’s announcement dated 4 July 2012 and published on the websites of the Stock Exchange and the Company respectively, and the Company’s announcement dated 5 July 2012 and published on the SSE website and Shanghai Securities Journal.

### (12) INDEX OF OTHER INFORMATION

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

No.	Events	Date of Publication	Source	Page No.
1	Announcement on expected growth in the annual results of 2011	2012-1-12	Shanghai Securities Journal	B19
2	Announcement on connected transactions	2012-1-19	Shanghai Securities Journal	B91
3	Announcement on implementation of the plan of increasing the shareholding of the Company by controlling shareholder	2012-3-21	Shanghai Securities Journal	B39

## V. Significant Events

No.	Events	Date of Publication	Source	Page No.
4	Summary of 2011 annual report	2012-3-27	Shanghai Securities Journal	B215
5	Announcement on the resolutions passed by the Board	2012-3-27	Shanghai Securities Journal	B215
6	Announcement on the resolutions passed by the supervisory committee	2012-3-27	Shanghai Securities Journal	B215
7	Announcement on connected transactions	2012-3-27	Shanghai Securities Journal	B215
8	Notice of the 2011 annual general meeting	2012-4-13	Shanghai Securities Journal	B60
9	Announcement on connected transactions	2012-5-16	Shanghai Securities Journal	B22
10	Poll results announcement of annual general meeting for year 2011	2012-6-1	Shanghai Securities Journal	B32
11	Announcement on the resolutions passed by the Board	2012-6-1	Shanghai Securities Journal	B32
12	Announcement on the signing of a cooperation frame agreement between Xinjiang Nongyishi (新疆農一師) and Qingsong Building Materials and Chemicals	2012-6-1	Shanghai Securities Journal	B32
13	2012 interim results warning announcement	2012-6-8	Shanghai Securities Journal	B15
14	Announcement on distribution of dividends for year 2011	2012-6-8	Shanghai Securities Journal	B15
15	Announcement on the repayment of the entrustment capital on maturity	2012-6-19	Shanghai Securities Journal	B32
16	Indicative announcement	2012-6-25	Shanghai Securities Journal	B17

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

## VI. Financial Accounting Report (Unaudited)

### Consolidated income statement

for the six months ended 30 June 2012 – unaudited  
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2012 RMB'000	2011 RMB'000
<b>Revenue</b>	3,4	<b>20,559,155</b>	22,327,265
Cost of sales and services rendered		<b>(15,103,389)</b>	(12,949,948)
<b>Gross profit</b>		<b>5,455,766</b>	9,377,317
Other revenue	5	<b>600,569</b>	417,862
Other net income	5	<b>1,878</b>	83,087
Selling and marketing costs		<b>(962,856)</b>	(800,615)
Administrative expenses		<b>(891,777)</b>	(699,221)
<b>Profit from operations</b>		<b>4,203,580</b>	8,378,430
Finance costs	6(a)	<b>(531,770)</b>	(331,345)
Share of (losses)/profits of associates		<b>(1,819)</b>	1,772
Share of (losses)/profits of jointly controlled entities		<b>(6,015)</b>	18,662
<b>Profit before taxation</b>	6	<b>3,663,976</b>	8,067,519
Income tax	7	<b>(678,194)</b>	(1,983,997)
<b>Profit for the period</b>		<b>2,985,782</b>	6,083,522
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>2,932,979</b>	5,980,993
Non-controlling interests		<b>52,803</b>	102,529
<b>Profit for the period</b>		<b>2,985,782</b>	6,083,522
<b>Earnings per share</b>	9		
Basic		<b>RMB0.55</b>	RMB1.13
Diluted		<b>RMB0.55</b>	RMB1.13

The notes on pages 54 to 77 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 23.



## VI. Financial Accounting Report (Unaudited)

### Consolidated income statement

for the six months ended 30 June 2012 – unaudited  
(Expressed in Renminbi Yuan)

		Six months ended 30 June	
	Note	2012 RMB'000	2011 RMB'000
<b>Profit for the period</b>		<b>2,985,782</b>	6,083,522
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>			
Available-for-sale equity securities: net movement in fair value reserve	8	<b>(380,466)</b>	398,626
<b>Total comprehensive income for the period</b>		<b>2,605,316</b>	6,482,148
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>2,552,513</b>	6,379,619
Non-controlling interests		<b>52,803</b>	102,529
<b>Total comprehensive income for the period</b>		<b>2,605,316</b>	6,482,148

The notes on pages 54 to 77 form part of this interim financial report.

## VI. Financial Accounting Report (Unaudited)

### Consolidated balance sheet

at 30 June 2012 – unaudited  
(Expressed in Renminbi Yuan)

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	11	51,744,171	48,803,943
Lease prepayments	12	3,148,603	2,681,343
Intangible assets		1,903,787	1,796,554
Goodwill		98,652	79,693
Interest in associates	13	2,023,069	160,454
Interest in jointly controlled entities		236,420	238,219
Loans and receivables	14	415,366	340,860
Available-for-sale equity securities	15	3,071,564	3,578,852
Deferred tax assets		151,065	103,548
		<b>62,792,697</b>	57,783,466
<b>Current assets</b>			
Inventories	16	4,822,319	4,378,423
Other investments	17	68,866	75,897
Trade receivables	18	5,808,037	10,938,748
Prepayments and other receivables	19	2,086,859	2,404,199
Amounts due from related parties	24(e)	328,878	384,506
Tax recoverable		139,059	10,371
Restricted cash deposits		117,336	58,994
Bank deposits with maturity over three months		30,000	221,624
Cash and cash equivalents	20	5,699,144	7,747,188
		<b>19,100,498</b>	26,219,950

The notes on pages 54 to 77 form part of this interim financial report.

## VI. Financial Accounting Report (Unaudited)

### Consolidated balance sheet

at 30 June 2012 – unaudited  
(Expressed in Renminbi Yuan)

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
<b>Current liabilities</b>			
Trade payables	22	4,798,122	5,078,909
Other payables and accruals		5,049,143	6,640,530
Bank loans and other borrowings	21	6,757,125	3,197,073
Amounts due to related parties	24(e)	412,512	336,710
Current portion of long-term payables		54,295	55,179
Obligations under finance leases		59,010	59,228
Current taxation		506,834	1,623,693
		<b>17,637,041</b>	<b>16,991,322</b>
<b>Net current assets</b>			
		<b>1,463,457</b>	<b>9,228,628</b>
<b>Total assets less current liabilities</b>			
		<b>64,256,154</b>	<b>67,012,094</b>
<b>Non-current liabilities</b>			
Bank loans and other borrowings	21	15,778,472	19,238,754
Long-term payables		407,602	405,094
Obligations under finance leases		58,440	58,878
Deferred income		396,433	414,787
Deferred tax liabilities		352,947	445,755
		<b>16,993,894</b>	<b>20,563,268</b>
<b>NET ASSETS</b>			
		<b>47,262,260</b>	<b>46,448,826</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		5,299,303	5,299,303
Reserves		39,855,262	39,157,505
<b>Total equity attributable to equity shareholders of the Company</b>			
		<b>45,154,565</b>	<b>44,456,808</b>
<b>Non-controlling interests</b>			
		<b>2,107,695</b>	<b>1,992,018</b>
<b>TOTAL EQUITY</b>			
		<b>47,262,260</b>	<b>46,448,826</b>

The notes on pages 54 to 77 form part of this interim financial report.

## VI. Financial Accounting Report (Unaudited)

### Consolidated statement of changes in equity

for the six months ended 30 June 2012 – unaudited

(Expressed in Renminbi Yuan)

	Note	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
		Share capital	Share premium	Capital reserve	Statutory surplus reserve	Fair value reserve	Retained profits	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2011</b>		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
<b>Changes in equity for the six months ended 30 June 2011:</b>										
Profit for the period		-	-	-	-	-	5,980,993	5,980,993	102,529	6,083,522
Other comprehensive income	8	-	-	-	-	398,626	-	398,626	-	398,626
<b>Total comprehensive income for the period</b>		-	-	-	-	398,626	5,980,993	6,379,619	102,529	6,482,148
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		-	-	-	-	-	-	-	(6,412)	(6,412)
Capitalisation issue		1,766,435	(1,766,435)	-	-	-	-	-	-	-
Dividends approved in respect of the previous year	23	-	-	-	-	-	(1,059,861)	(1,059,861)	-	(1,059,861)
Acquisition of subsidiary with non-controlling interests		-	-	-	-	-	-	-	819,118	819,118
<b>Balance at 30 June 2011</b>		5,299,303	10,243,790	224,202	1,141,884	1,938,447	21,101,087	39,948,713	1,535,460	41,484,173
<b>Changes in equity for the six months ended 31 December 2011:</b>										
Profit for the period		-	-	-	-	-	5,605,389	5,605,389	130,116	5,735,505
Other comprehensive income		-	-	-	-	(1,097,294)	-	(1,097,294)	-	(1,097,294)
<b>Total comprehensive income for the period</b>		-	-	-	-	(1,097,294)	5,605,389	4,508,095	130,116	4,638,211
Acquisition of subsidiaries with non-controlling interests		-	-	-	-	-	-	-	271,452	271,452
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders		-	-	-	-	-	-	-	54,990	54,990
Appropriations to reserves		-	-	-	660,910	-	(660,910)	-	-	-
<b>Balance at 31 December 2011</b>		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 54 to 77 form part of this interim financial report.

## VI. Financial Accounting Report (Unaudited)

### Consolidated statement of changes in equity (Cont'd)

for the six months ended 30 June 2012 – unaudited  
(Expressed in Renminbi Yuan)

	Note	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity
		Share capital	Share premium	Capital reserve	Statutory surplus reserve	Fair value reserve	Retained profits			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2012</b>		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
<b>Changes in equity for the six months ended 30 June 2012:</b>										
Profit for the period		-	-	-	-	-	2,932,979	2,932,979	52,803	2,985,782
Other comprehensive income	8	-	-	-	-	(380,466)	-	(380,466)	-	(380,466)
<b>Total comprehensive income for the period</b>		-	-	-	-	(380,466)	2,932,979	2,552,513	52,803	2,605,316
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		-	-	-	-	-	-	-	(67,677)	(67,677)
Dividends approved in respect of the previous year	23	-	-	-	-	-	(1,854,756)	(1,854,756)	-	(1,854,756)
Acquisition of subsidiary with non-controlling interests		-	-	-	-	-	-	-	36,165	36,165
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders		-	-	-	-	-	-	-	94,386	94,386
<b>Balance at 30 June 2012</b>		<b>5,299,303</b>	<b>10,243,790</b>	<b>224,202</b>	<b>1,802,794</b>	<b>460,687</b>	<b>27,123,789</b>	<b>45,154,565</b>	<b>2,107,695</b>	<b>47,262,260</b>

Consolidated statement of changes in equity

The notes on pages 54 to 77 form part of this interim financial report.

## VI. Financial Accounting Report (Unaudited)

### Condensed consolidated cash flow statement

for the six months ended 30 June 2012 – unaudited  
(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
<b>Net cash generated from operating activities</b>	<b>6,033,471</b>	4,921,096
<b>Net cash used in investing activities</b>	<b>(5,686,544)</b>	(7,719,010)
<b>Net cash (used in)/generated from financing activities</b>	<b>(2,394,971)</b>	7,951,077
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,048,044)</b>	5,153,163
<b>Cash and cash equivalents at 1 January</b>	<b>7,747,188</b>	2,689,148
<b>Cash and cash equivalents at 30 June</b>	<b>5,699,144</b>	7,842,311

The notes on pages 54 to 77 form part of this interim financial report.

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 1 BASIS OF PREPARATION

This interim financial report of Anhui Conch Cement Company Limited (the “Company”) and its subsidiaries (the “Group”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” adopted by the International Accounting Standards Board (“IASB”). It was authorised for issuance on 14 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

In preparing this interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2011 annual financial statements.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Group’s annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The Group’s annual financial statements for the year ended 31 December 2011 are available at the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their audit report dated 26 March 2012.

#### 2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a few amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the Amendments to IFRS 7, Financial instruments: Disclosures – Transfers of financial assets, is relevant to the Group’s financial statements.

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

The amendments to IFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption.

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 3 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following 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.

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

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

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

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

The measure used for reporting segment profit is profit before taxation in accordance with PRC Accounting Standards.

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



## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 3 SEGMENT REPORTING (CONTINUED)

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

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

For the six months ended 30 June 2012

	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) RMB'000	Total RMB'000
Revenue from external customers	6,263,986	7,448,880	3,894,405	2,951,884	-	20,559,155	-	20,559,155
Inter-segment revenue	584,455	4,295,031	50,934	6,403	-	4,936,823	(4,936,823)	-
<b>Reportable segment revenue</b>	<b>6,848,441</b>	<b>11,743,911</b>	<b>3,945,339</b>	<b>2,958,287</b>	<b>-</b>	<b>25,495,978</b>	<b>(4,936,823)</b>	<b>20,559,155</b>
<b>Reportable segment profit</b> (Profit before taxation)	<b>509,212</b>	<b>5,334,353</b>	<b>629,410</b>	<b>204,804</b>	<b>(2,753)</b>	<b>6,675,026</b>	<b>(3,011,050)</b>	<b>3,663,976</b>
Interest income	5,019	187,431	2,346	6,464	11	201,271	(115,741)	85,530
Interest expense	(85,121)	(398,236)	(67,276)	(96,878)	-	(647,511)	115,741	(531,770)
Depreciation and amortisation for the period	(182,883)	(784,874)	(241,615)	(336,004)	(13)	(1,545,389)	-	(1,545,389)
Additions to non-current segment assets during the period	371,450	1,738,843	965,483	1,973,464	8,983	5,058,223	-	5,058,223
<b>At 30 June 2012</b>								
<b>Reportable segment assets</b> (including investment in associates and joint ventures)	<b>12,541,322</b>	<b>80,837,033</b>	<b>14,654,030</b>	<b>19,235,885</b>	<b>143,279</b>	<b>127,411,549</b>	<b>(45,518,354)</b>	<b>81,893,195</b>
<b>Reportable segment liabilities</b>	<b>8,359,620</b>	<b>39,879,821</b>	<b>7,521,980</b>	<b>12,175,374</b>	<b>3,592</b>	<b>67,940,387</b>	<b>(33,309,452)</b>	<b>34,630,935</b>

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 3 SEGMENT REPORTING (CONTINUED)

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

For the six months ended 30 June 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) RMB'000	Total RMB'000
Revenue from external customers	7,517,247	9,090,718	4,107,331	1,611,969	-	22,327,265	-	22,327,265
Inter-segment revenue	637,065	4,894,433	64,669	14,498	-	5,610,665	(5,610,665)	-
<b>Reportable segment revenue</b>	<b>8,154,312</b>	<b>13,985,151</b>	<b>4,172,000</b>	<b>1,626,467</b>	<b>-</b>	<b>27,937,930</b>	<b>(5,610,665)</b>	<b>22,327,265</b>
<b>Reportable segment profit</b>								
<b>(Profit before taxation)</b>	<b>1,531,837</b>	<b>7,217,863</b>	<b>1,183,999</b>	<b>393,071</b>	<b>-</b>	<b>10,326,770</b>	<b>(2,259,251)</b>	<b>8,067,519</b>
Interest income	3,547	38,387	1,521	784	-	44,239	-	44,239
Interest expense	(47,664)	(209,134)	(45,741)	(28,806)	-	(331,345)	-	(331,345)
Depreciation and amortisation for the period	(186,679)	(678,113)	(212,831)	(151,533)	-	(1,229,156)	-	(1,229,156)
Additions to non-current segment assets during the period	358,874	1,862,961	620,157	3,257,333	-	6,099,325	-	6,099,325
<b>At 31 December 2011</b>								
<b>Reportable segment assets</b> (including investment in associates and joint ventures)	<b>11,851,737</b>	<b>58,557,828</b>	<b>10,661,628</b>	<b>16,970,456</b>	<b>1,559</b>	<b>98,043,208</b>	<b>(14,039,792)</b>	<b>84,003,416</b>
<b>Reportable segment liabilities</b>	<b>6,722,164</b>	<b>20,183,740</b>	<b>3,035,757</b>	<b>10,731,061</b>	<b>1,559</b>	<b>40,674,281</b>	<b>(3,119,691)</b>	<b>37,554,590</b>

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 3 SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
<b>Revenue</b>		
Elimination of inter-segment revenue	(4,936,823)	(5,610,665)
<b>Profit</b>		
Elimination of inter-segment profits	(3,036,476)	(2,276,939)
Differences between PRC Accounting Standards and IFRS*	25,426	17,688
	(3,011,050)	(2,259,251)
	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
<b>Assets</b>		
Elimination of inter-segment balances	(45,518,354)	(14,039,792)
<b>Liabilities</b>		
Elimination of inter-segment balances	(33,686,786)	(3,512,585)
Differences between PRC accounting standards and IFRS*	377,334	392,894
	(33,309,452)	(3,119,691)

\* Differences between PRC Accounting Standards and IFRS:

The difference arise from the deferred income in respect of certain government grants recognised under IFRS.

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 3 SEGMENT REPORTING (CONTINUED)

##### (c) Geographic information

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

	Revenue from external customers		Specified non-current assets	
	Six months ended		At	
	30 June 2012 RMB'000	30 June 2011 RMB'000	30 June 2012 RMB'000	31 December 2011 RMB'000
The People's Republic of China ("the PRC")	19,903,560	21,719,727	59,145,732	53,760,206
Others	655,595	607,538	8,970	–
	20,559,155	22,327,265	59,154,702	53,760,206

#### 4 SEASONALITY OF OPERATIONS

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

#### 5 OTHER REVENUE AND NET INCOME

##### (a) Other revenue

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Subsidy income	514,558	373,623
Interest income	85,530	44,239
Dividend income from listed securities	481	–
	600,569	417,862

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

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

##### (b) Other net income

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Remeasurement to fair value of pre-existing interest in acquiree	–	62,595
Net unrealised (losses)/gains on trading securities	(7,031)	5,433
Change in fair value of derivatives	(2,318)	1,417
Net gain on disposal of fixed assets	8,269	128
Exchange (losses)/gains	(1,962)	6,686
Others	4,920	6,828
	1,878	83,087

#### 6 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
<b>(a) Finance costs:</b>		
Finance charge on obligations under finance leases	2,543	3,897
Interest on bank loans and other borrowings	598,641	434,603
Less: interest expense capitalised into construction-in-progress	(69,414)	(107,155)
	531,770	331,345

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 6 PROFIT BEFORE TAXATION (CONTINUED)

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
<b>(b) Other items:</b>		
Depreciation	1,469,520	1,182,523
Amortisation of interests in leasehold land held for own use under operating leases	25,140	22,449
Other amortisation	50,729	24,184
Staff costs	1,050,099	828,639

#### 7 INCOME TAX

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
<b>Current tax-PRC Corporate Income Tax</b>		
Provision for the period	720,596	1,991,605
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(42,402)	(7,608)
	<b>678,194</b>	<b>1,983,997</b>

No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2012 and 2011 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 7 INCOME TAX (CONTINUED)

Individual companies within the Group are generally subject to Corporate Income Tax at 25% on taxable income determined according to the relevant income tax rules and regulations of the PRC, except for:

Beiliu Conch Cement Co., Ltd. 北流海螺水泥有限責任公司(Note i)	15%
Xingye Kuiyang Conch Cement Co., Ltd. 興業葵陽海螺水泥有限責任公司(Note i)	15%
Fusui Xinning Conch Cement Co., Ltd. 扶綏新寧海螺水泥有限責任公司(Note i)	15%
Xing'an Conch Cement Co., Ltd. 興安海螺水泥有限責任公司(Note i)	15%
Pingliang Conch Cement Co., Ltd. 平涼海螺水泥有限責任公司(Note i)	15%
Dazhou Conch Cement Co., Ltd. 達州海螺水泥有限責任公司(Note i)	15%
Guangyuan Conch Cement Co., Ltd. 廣元海螺水泥有限責任公司(Note i)	15%
Chongqing Conch Cement Co., Ltd. 重慶海螺水泥有限責任公司(Note i)	15%
Liquan Conch Cement Co., Ltd. 禮泉海螺水泥有限責任公司(Note i)	15%
Guiyang Conch Panjiang Cement Co., Ltd. 貴陽海螺盤江水泥有限責任公司(Note i)	15%
Guiding Conch Panjiang Cement Co., Ltd. 貴定海螺盤江水泥有限責任公司(Note i)	15%
Zunyi Conch Panjiang Cement Co., Ltd. 遵義海螺盤江水泥有限責任公司(Note i)	15%

Note:

- (i) Pursuant to Notice No.12 issued by State Administration of Taxation on 6 April 2012, the above 12 companies were entitled to 15% preferential income tax rate as qualifying companies located in Western areas in the PRC from 1 January 2011 to 31 December 2020.

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 8 OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Available-for-sale equity securities		
Changes in fair value recognised during the period (after tax)	(380,466)	398,626
Net movement in the fair value reserve during the period recognised in other comprehensive income	(380,466)	398,626

#### 9 EARNINGS PER SHARE

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

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2012 of RMB 2,932,979,000 (six months ended 30 June 2011: RMB5,980,993,000) and the weighted average number of shares in issue during the six months ended 30 June 2012 of 5,299,303,000 (six months ended 30 June 2011: 5,299,303,000).

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

The Company had no dilutive potential ordinary shares outstanding during the six months ended 30 June 2012 and 2011.

#### 10 BUSINESS COMBINATIONS

The Group acquired five subsidiaries from independent third parties during the period. 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 acquisitions to 30 June 2012, these acquired subsidiaries contributed an aggregate revenue of RMB166,305,000 and an aggregate loss of RMB 20,904,000 to the Group's results. If the acquisitions had occurred on 1 January 2012, management estimates that the Group's revenue and net profit in the consolidated financial report as of 30 June 2012 would have been RMB20,600,087,000 and RMB2,984,342,000, respectively. 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 2012.



## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 10 BUSINESS COMBINATIONS (CONTINUED)

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

	RMB'000
Property, plant and equipment	1,359,158
Lease prepayments	76,224
Intangible assets	34,338
Inventories	95,851
Cash and cash equivalents	1,267
Trade and other receivables	125,699
Deferred tax assets	8,657
Banks loans and other borrowings	(344,030)
Trade payables and other liabilities	(700,310)
Deferred tax liabilities	(37,557)
<b>Total net identifiable assets</b>	<b>619,297</b>

#### **Goodwill/(bargain purchase gain)**

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

	RMB'000
Total consideration transferred	600,557
Non-controlling interests, based on their proportionate interest in recognised amount of the assets and liabilities of the acquirees	36,165
Fair value of identifiable net assets	(619,297)
	17,425
Goodwill arising from the above business combinations	18,959
Bargain purchase gain	(1,534)
	17,425

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 11 PROPERTY, PLANT AND EQUIPMENT

##### (a) Acquisitions and disposals

During the six months ended 30 June 2012, the Group acquired property, plant and equipment with a cost of RMB6,192,528,000 (six months ended 30 June 2011: RMB5,213,972,000).

Assets with a carrying amount of RMB2,994,000 were disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: RMB1,512,000), resulting in a net gain on disposal of RMB8,269,000 (six months ended 30 June 2011: a net gain of RMB128,000).

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Contracted for	2,870,571	2,805,495
Authorised but not contracted for	6,615,817	8,222,401
	<b>9,486,388</b>	11,027,896

#### 12 LEASE PREPAYMENTS

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

During the six months ended 30 June 2012, the Group acquired interests in leasehold land held for own use under operating leases with a cost of RMB500,784,000 (six months ended 30 June 2011: RMB348,574,000).

#### 13 INTERESTS IN ASSOCIATES

On 12 June 2012, the Group entered into a share subscription agreement (the "Agreement") with Xinjiang Qingsong Building Materials and Chemicals (Group) Co., Ltd. ("Qingsong Building Materials and Chemicals"). The Group subscribed for 137,800,000 shares at a consideration of RMB13.53 per share totalling RMB1,864,434,000 (the "Subscription"). After the Subscription, the Group holds 19.99% equity interest in Qingsong Building Materials and Chemicals. The Subscription had been completed on 19 June 2012. According to the Agreement, the aforesaid 137,800,000 shares have a lock up period of 12 months from the completion date of the Subscription.

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 14 NON-CURRENT LOANS AND RECEIVABLES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Loans and receivables	603,011	586,726
Less: Current portion of non-current loans and receivables (note 19)	(187,645)	(245,866)
	<b>415,366</b>	<b>340,860</b>

Non-current loans and receivables represent advances made to local government authorities.

#### 15 AVAILABLE-FOR-SALE EQUITY SECURITIES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Available-for-sale equity securities – Listed in the PRC	<b>3,071,564</b>	<b>3,578,852</b>

All available-for-sale equity securities held by the Group are listed either on the Shanghai Stock Exchange (“the SSE”) or the Shenzhen Stock Exchange. The fair value of these investments is measured with reference to the respective quoted market prices as at 30 June 2012.

#### 16 INVENTORIES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Raw materials	2,096,243	2,248,602
Work in progress	158,904	171,135
Finished goods	2,165,520	1,617,058
Spare parts	401,652	341,628
	<b>4,822,319</b>	<b>4,378,423</b>

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 17 OTHER INVESTMENTS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Listed equity securities at fair value		
– Listed in the PRC	68,866	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 30 June 2012.

#### 18 TRADE RECEIVABLES

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 1 year (inclusive)	5,808,037	10,938,748

Trade debtors are due within 30 to 60 days from the day of billing, except for retention money in respect of certain sales contracts which is due upon the expiry of the retention period. Notes receivable are due within 6 months from the day of issuance. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted.

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 19 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Purchase prepayments	546,238	609,910
Current portion of loans and receivables (note 14)	187,645	245,866
Loans to related parties	205,500	-
Entrusted loans to third parties	-	750,000
Value-added tax recoverable	916,670	581,097
Interest receivable	-	34,757
Forward exchange contracts used for economic hedges	-	1,406
Other receivables	230,806	181,163
	<b>2,086,859</b>	<b>2,404,199</b>

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

#### 20 CASH AND CASH EQUIVALENTS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Deposits with banks	444,277	833,454
Cash at bank and in hand	5,254,867	6,913,734
	<b>5,699,144</b>	<b>7,747,188</b>

As at 30 June 2012, the Group did not have cash at banks that are pledged as security (31 December 2011: Nil).

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 21 BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are as follows:

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
<b>Non-current bank loans and other borrowings</b>			
Bank loans			
– Secured	(i)	33,330	119,500
– Unsecured	(ii)	3,427,250	3,727,250
Loans from Conch Holdings			
– Unsecured	(iii)	2,170,000	5,200,000
Unsecured debentures	(iv)	9,468,801	9,465,640
Other borrowings			
– Secured	(v)	650,000	650,000
– Unsecured	(vi)	29,091	76,364
		<b>15,778,472</b>	<b>19,238,754</b>
<b>Current bank loans and other borrowings</b>			
Bank loans			
– Secured	(i)	78,000	80,800
– Unsecured	(ii)	2,989,352	3,109,000
Loans from Conch Holdings			
– Unsecured	(iii)	3,650,000	–
Other borrowings			
– Secured	(v)	32,500	–
– Unsecured	(vi)	7,273	7,273
		<b>6,757,125</b>	<b>3,197,073</b>

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

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

- (i) As at 30 June 2012, the carrying amounts of interest in property, plant and equipment amounted to RMB 83,011,000 (31 December 2011: nil) were pledged as security against the Group's current bank loans of RMB 28,000,000 (31 December 2011: nil).

As at 30 June 2012, the carrying amounts of interest in leasehold land held for own use under operating leases amounted to RMB 19,922,000 (31 December 2011: nil) were pledged as security against the Group's non-current bank loans of RMB 33,330,000 and current bank loans of RMB 50,000,000 (31 December 2011: nil).

- (ii) At 30 June 2012, unsecured bank loans of the Group totalling RMB 2,559,000,000 (31 December 2011: RMB 2,757,000,000) were guaranteed by Conch Holdings.
- (iii) Loans from Conch Holdings bear interest at a fixed rate of 4.69% to 5.78% (31 December 2011: 4.69% to 5.78%) per annum, and are unsecured and repayable starting from January 2013.
- (iv) In May 2011, the Company issued corporate bonds with an aggregate principal amount of RMB 9,500,000,000, of which RMB 7,000,000,000 with a maturity period of 5 years ("5-year bond") and RMB 2,500,000,000 with a maturity period of 7 years ("7-year bond"). The bonds carry fixed annual interest rates 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.

- (v) Other secured non-current borrowings of the Group are provided by the International Finance Corporation ("IFC"). The loan bears interest at a rate of 5.32% (31 December 2011: 5.32%) per annum and is repayable in September 2015. At 30 June 2012, the loan was secured by property, plant and equipment of the Group with carrying amount of approximately RMB 396,029,000 (31 December 2011: RMB 420,302,000) and leasehold land held for own use under operating leases of the Group with carrying amount of approximately RMB 180,674,000 (31 December 2011: RMB 182,431,000). The loan is subject to various financial covenants that are reported to IFC on a yearly basis.

At 30 June 2012, the carrying amounts of interest in property, plant and equipment amounted to RMB 86,793,000 (31 December 2011: Nil) were pledged as security against the Group's current non-bank loans of RMB 32,500,000 (31 December 2011: Nil), which were also guaranteed by Conch Holdings (31 December 2011: Nil).

- (vi) Other unsecured non-current borrowings of the Group are national debt loan provided by the Anhui Finance Bureau. The loan bears interest at a rate of 3.55% (31 December 2011: 2.55%) per annum and is repayable in June 2017.

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

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

At 30 June 2012 and 31 December 2011, the bank loans were repayable as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 1 year or on demand	3,067,352	3,189,800
After 1 year but within 2 years	1,324,330	1,535,000
After 2 years but within 5 years	1,786,250	2,291,750
After 5 years	350,000	20,000
Total non-current bank loans	3,460,580	3,846,750
	6,527,932	7,036,550

#### 22 TRADE PAYABLES

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 1 year (inclusive)	4,789,383	5,026,586
Between 1 and 2 years (inclusive)	4,530	47,927
Between 2 and 3 years (inclusive)	1,325	1,696
More than 3 years	2,884	2,700
	4,798,122	5,078,909

#### 23 DIVIDENDS

The 2011 annual general meeting held on 31 May 2012 approved the final dividend for the year ended 31 December 2011 of approximately RMB1,854,756,000 (RMB0.35 per ordinary share) (six months ended 30 June 2011: RMB1,059,861,000).

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).



## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

#### 24 MATERIAL RELATED PARTY TRANSACTIONS

##### (a) Related parties information

<b>Name of related party</b>	<b>Nature of relationship</b>
Conch Holdings 安徽海螺集團有限責任公司	Substantial shareholder of the Company
Anhui Conch Venture Investment Company Limited (“Conch Venture”) 安徽海螺創業投資有限責任公司	Shareholder of Conch Holdings and the Company, some directors of the Company are also directors and equity holders of Conch Venture
Wuhu Conch Profiles and Science Co., Ltd. (“Conch Profiles and Science”) 蕪湖海螺型材科技股份有限公司	Subsidiary of Conch Holdings
Anhui Conch Construction Materials Design Centre (“Conch Design”) 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Yingde Conch Profiles Co., Ltd. (“Yingde Profiles”) 英德海螺型材有限責任公司	Subsidiary of Conch Profiles and Science
Wuhu Conch New Materials Co., Ltd. (“Conch New Materials”) 蕪湖海螺新材料有限公司	Subsidiary of Conch Profiles and Science
Anhui Conch Information Technology Engineering Co., Ltd. (“Conch Information”) 安徽海螺資訊技術工程有限責任公司	Subsidiary of Conch Design
Anhui King Bridge Cement Co., Ltd. (“King Bridge Cement”) 安徽朱家橋水泥有限公司	Associate of the Company
Guangxi Fusui Conch Cement Co., Ltd. (“Fusui Conch”) 廣西扶綏海螺水泥有限責任公司	Associate of the Company
Guangxi Xinye Conch Cement Co., Ltd. (“Xinye Conch”) 廣西興業海螺水泥有限責任公司	Associate of the Company
Guiding Conch Panjiang Cement Co., Ltd. (“Guiding Conch”) 貴定海螺盤江水泥有限責任公司	A joint venture of the Company before 31 May 2011
Guiyang Conch Panjiang Cement Co., Ltd. (“Guiyang Conch”) 貴陽海螺盤江水泥有限責任公司	A joint venture of the Company before 31 May 2011

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

<b>Name of related party</b>	<b>Nature of relationship</b>
Zunyi Conch Panjiang Cement Co., Ltd. ("Zunyi Conch") 遵義海螺盤江水泥有限責任公司	A joint venture of the Company before 31 May 2011
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. ("Conch Kawasaki Equipment") 安徽海螺川崎裝備製造有限公司	Joint venture of the Company
Wuhu Sanshan Port Co., Ltd. ("Sanshan Port") 蕪湖三山港務有限公司	Subsidiary of Conch Venture
Wuhu Conch Venture Property Investment Co., Ltd. ("Conch Venture Property") 蕪湖海創置業有限責任公司	Subsidiary of Conch Venture
Anhui Conch Kawasaki Engineering Company Limited ("Conch Kawasaki Engineering") 安徽海螺川崎工程有限公司	Joint venture of Conch Venture
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("Conch Kawasaki Energy Conservation") 安徽海螺川崎節能設備製造有限公司	Joint venture of Conch Venture
Yingde Dragon Mountain Cement Co., Ltd. ("Dragon Mountain") 英德龍山水泥有限責任公司	A director of the Company is also a director of Dragon Mountain
Conch Property Management ("Conch Property") 蕪湖海螺物業管理有限公司	Subsidiary of Conch Venture
Guiyang Conch Window and Door Co., Ltd. ("Guiyang Conch Window and Door") 貴陽海螺門窗有限公司	Subsidiary of Conch Profiles and Science
Jiangdou Haichang Port Industrial Co., Ltd. ("Haichang Port") 江都海昌港務實業有限公司	Subsidiary of Conch Venture
Chongqing Gaolin Building Material Co., Ltd. ("Gaolin Building Material") 重慶高林建材有限公司	Trustee of a subsidiary of the Company
Debao Haibao Cement Co., Ltd. ("Haibao Cement") 德保縣海寶水泥有限責任公司	Trustee of a subsidiary of the Company

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

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

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Sales of goods	40	–
Trademark licence fees payable	757	757
Guarantee provided by Conch Holdings	12,208,840	12,378,000
Composite service fees payable	1,332	2,156
Loans from Conch Holdings	900,000	2,000,000
Loans repaid to Conch Holdings	280,000	2,190,000
Interests on loans	129,584	145,052

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Sales of goods	32,725	16,957
Provision of services	15,883	7,673
Purchase of fixed assets	510,415	641,890
Purchase of materials	308,934	102,562
Receiving services	39,115	46,946
Importing machinery on behalf of joint ventures	–	1,520
Management fee	195	–
Loans	202,000	–
Interest on loans	1,821	–

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

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

Apart from the transactions mentioned in note 24(b) above, the Group has conducted transactions with other state-controlled entities which include, but are not limited to, purchases of coal and depositing and borrowing money.

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

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

	Six months ended 30 June	
	2012 RMB’000	2011 RMB’000
Purchase of coal	2,800,749	1,751,428
Interest expenses	575,681	356,210
	At 30 June 2012 RMB’000	At 31 December 2011 RMB’000
Cash and cash equivalents	5,677,621	7,724,385
Prepayments and other receivables	196,764	109,886
Bank loans	12,266,796	12,170,186
Obligations under finance leases	117,450	118,106

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Short-term employees benefits	651	640
Post-employment benefits	103	73
	<b>754</b>	<b>713</b>
Directors and supervisors	221	165
Senior management	533	548
	<b>754</b>	<b>713</b>

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

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Conch Kawasaki Engineering	140,921	208,961
Conch Kawasaki Equipment	125,396	140,692
Conch Kawasaki Energy Conservation	41,273	21,850
Dragon Mountain	3,538	3,245
Conch Design	2,096	1,905
Conch Venture Property	12,942	7,684
Conch Profiles and Science	119	145
Conch New Material	–	5
Sanshan Port	337	19
Haichang Port	1,790	–
Conch Information	8	–
Guiyang Conch Window and Door	109	–
Gaolin Building Material	332	–
Haibao Cement	17	–
	<b>328,878</b>	<b>384,506</b>

## VI. Financial Accounting Report (Unaudited)

### Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Conch Kawasaki Engineering	82,697	93,645
Conch Holdings	115,862	7,423
Conch Kawasaki Energy Conservation	64,713	92,205
Xingye Conch	56,800	56,800
Conch Kawasaki Equipment	20,016	20,842
Fusui Conch	41,373	41,373
Conch Design	9,824	10,209
Conch New Materials	1,069	1,984
Conch Profiles and Science	1,537	1,335
Dragon Mountain	1,585	2,289
Conch Information	94	-
Sanshan Port	16,831	8,565
Conch Property Management	111	40
	<b>412,512</b>	<b>336,710</b>

#### 25 CONTINGENT LIABILITIES

At 30 June 2012, outstanding letters of credit issued by the Group amounted to approximately RMB164,958,000 (31 December 2011: RMB34,912,000).

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

On 4 July 2012, the directors approved the issuance of corporate bonds of not more than RMB6,000,000,000. The resolution of issuance of corporate bonds is effective for twenty-four months from shareholders' approval. Up to the approval date of these financial statements, the above proposal was pending for shareholders' approval and the application for the issuance of corporate bonds is pending for the approval of CSRC.

## VII. Documents Available for Inspection

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

**Anhui Conch Cement Company Limited**

**Guo Wensan**

Chairman

14 August 2012