2012 ANNUAL REPORT

Anhui Conch Cement Company Limited

(H Share: 00914, A Share: 600585)

Important

The Board, Supervisory Committee and Directors, Supervisors and the senior management of the Company warrant that the information in this report, for which they jointly and severally accept legal liability, is truthful, accurate and complete, and does not contain any misrepresentation, misleading statements or material omission.

As considered by the ninth meeting of the fifth session of the Board of the Company, the annual profit distribution proposal for 2012 is: a cash dividend of RMB2.50 (tax inclusive) for every 10 shares, ie. a cash dividend of RMB2.25 for every 10 shares (after deducting tax).

Mr. Guo Wensan (Chairman), Mr. Ji Qinying (General Manager) and Mr. Zhou Bo (Deputy chief accountant) declare that they warrant the financial statements contained herein are true, accurate and complete.

The Company's plans for 2013 concerning its capital expenditure, production capacity and net sales growth (as disclosed in the section headed "Management Discussion and Analysis" herein) do not constitute any substantive commitment to investors. Investors and the public are advised to be cautious of any investment risks.

Contents

Definitions

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

The Company/Conch Cement	:	Anhui Conch Cement Co., Ltd.
The Group	:	the Company and its subsidiaries
Board	:	the Board of Directors
Director(s)	:	the Director(s) of the Company
Supervisory Committee	:	the supervisory committee of the Company
Supervisor(s)	:	the supervisor(s) of the Company
Baimashan Cement Plant	:	Baimashan Cement Plant of Anhui Conch Cement Co., Ltd.
Beiliu Conch	:	Beiliu Conch Cement Co., Ltd.
Bazhong Conch	:	Bazhong Conch Cement Co., Ltd.
Chizhou Conch	:	Anhui Chizhou Conch Cement Co., Ltd.
Foshan Conch	:	Foshan Conch Cement Co., Ltd.
Conch Venture	:	Anhui Conch Venture Investment Co., Ltd.
Conch Property	:	Wuhu Conch Property Management Co., Ltd.
Conch Kawasaki Engineering	:	Anhui Conch Kawasaki Engineering Co., Ltd.
Conch Kawasaki Energy Conservation	:	Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.
Conch Holdings	:	Anhui Conch Holdings Co., Ltd.
Wuhu Conch Hotel	:	Wuhu Conch International Hotel Co., Ltd.
Conch Design	:	Anhui Conch Construction Materials Design Institute

Definitions

Conch Profiles	Wuhu Conch Profiles and Science Co., Ltd.
Haichang Port	YangZhou Haichang Port Industrial Co., Ltd. (formerly known as Jiangdu Haichang Port Industrial Co., Ltd. before its change of name in June 2012)
Jiangmen Conch	Jiangmen Conch Cement Co., Ltd.
Longshan Cement	Yingde Longshan Cement Co., Ltd.
Ningguo Cement Plant	Ningguo Cement Plant of Anhui Conch Cement Co., Ltd.
PT Conch	PT Conch South Kalimantan Cement
NO_x	Nitrogen Oxide
Ping An Trust	Ping An Trust & Investment Co., Ltd.
Qingsong Building Materials and Chemicals	Xinjiang Qingsong Building Materials and Chemicals (Group) Co., Ltd.
Suzhou Conch	Suzhou Conch Cement Co., Ltd.
Sichuan Nanwei	Sichuan Nanwei Cement Co., Ltd.
Tongling Conch	Anhui Tongling Conch Cement Co., Ltd.
Wuhu Conch	Wuhu Conch Cement Co., Ltd.
Sanshan Port	Wuhu Sanshan Conch Port Co., Ltd.
Prosperity Conch	Prosperity Conch Cement Co., Ltd.
Zongyang Conch	Anhui Zongyang Conch Cement Co., Ltd.
Zunyi Conch	Zunyi Conch Panjiang Cement Co., Ltd.

Definitions

Regional Committee(s)	:	regional management unit(s) specially established by the Company for implementation of regional management in order to strengthen the Company's management over its subsidiaries and enhance management efficiency by organizing certain subsidiaries located in a particular province or neighboring areas into a regional management unit
Reporting Period	:	the period from 1 January 2012 to 31 December 2012
Stock Exchange	:	The Stock Exchange of Hong Kong Limited
HKSE Listing Rules	:	The Rules Governing the Listing of Securities on the Stock Exchange
SSE	:	Shanghai Stock Exchange
SSE Listing Rules	:	The Rules Governing the Listing of Stocks on the SSE
A Shares	:	ordinary shares in the capital of the Company listed on the SSE, with a nominal value of RMB1.00 per share, which are subscribed for and traded in RMB
H Shares	:	foreign shares in the capital of the Company listed on the Stock Exchange, with a nominal value of RMB1.00 per share, which are subscribed for and traded in Hong Kong dollars
Clinker	:	semi-finished products made in the manufacturing process of cement
Hong Kong	:	Hong Kong Special Administrative Region of the PRC
RMB	:	Renminbi, the lawful currency of the PRC, which is the currency unit used in this report, unless otherwise specified
PRC	:	The People's Republic of China
CSRC	:	China Securities Regulatory Commission
Articles	:	Articles of Association of the Company

Material Risk Alert

1. The cement industry in which the Company operates is highly dependent on the construction industry and closely related to the national economic growth pace, as well as susceptible to the cyclical changes in the macro-economy. Therefore, the cyclical volatility in the macro-economy and adjustment of the macro-economic policy will materially affect the operation and development of the cement industry through its effect on the fixed asset investments. In the process of economic structural adjustment in China, the growth of fixed asset investment may slow down, which would have direct impact on the market demand for and market price of building material products, hence adversely affecting the future development of the Company.

   To address the above-mentioned risks, the Group will closely monitor the changes in the State's macro-economic policies and step up its efforts in conducting analysis and research on policies that affect the cement industry and related factors. Meanwhile, to align with the Company's development strategies, the Group will continue to expand its regional markets to mitigate the negative impact on the Company caused by volatility in a single market or a fragment of the market. Furthermore, the Group will fine-tune its market network, and timely adjust its marketing strategies according to changes in the market environment to ensure smooth production and operations of the Company.

2. Coal and electricity are the major types of energy consumed by the Company in the production process. The cost of these two types of energy accounts for a large portion of the total cost of cement production. The cost of fuel and power (such as coal and electricity) accounts for more than 60% of the total manufacturing cost of cement. In the event of substantial surge in energy prices due to factors such as policy adjustment or changes in market supply and demand, the Company will be under pressure of rising production costs. If the increase in cost resulted from the above factors could not be entirely transferred to the product price, the Company's profitability may be adversely affected.

   In order to address the above-mentioned risks, the Company will continue to further develop the strategic cooperation with domestic large-scale coal groups, expand coal procurement channels and take advantage of bulk procurement to acquire coal needed for production in the ordinary course of business at a reasonable price. In the meantime, the Company will strengthen its internal control, lower various indicators such as coal and electricity consumption rates, and carry out technical modification to promote energy conservation and emission reduction, while reducing cost and improving efficiency, in order to enhance its market competitiveness.

Material Risk Alert

3. Dust is a major pollutant from the production process of cement enterprises. The Company has installed necessary environmental protection equipment in all production bases pursuant to the relevant environmental protection requirements, so as to collect cement dust for reuse and comply with the dust discharge standard. However, with the further implementation of recycling economy and sustainable development, as well as the enhancement of public environmental awareness, the State may introduce more stringent laws and regulations to raise the environmental requirements for cement enterprises, which may lead to an increase in expenses on environmental protection by the Company.

   To address the above-mentioned risks, the Group will continue to increase input for environmental protection, energy conservation and emission reduction, including application of dust collection equipment, residual heat electricity generation, waste treatment, NOx reduction and other technologies. With a significant leading comprehensive competitiveness in environmental protection compared to industry average, the Group will continue to optimize its environmental management in the future, as a role model of big enterprises to the industry. Stringent enforcement of national policies and regulations in respect of environmental protection will speed up the phase-out of backward production capacity and facilitate the structural adjustment of the cement industry. All these will enable the Group to further leverage and benefit from its competitive edge.

1. Corporate Profile

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

1. Corporate Profile

(6)	**Exchange on which the Company's shares are listed**	
	H Shares	Stock Exchange
	Stock code	00914
	A Shares	SSE
	Stock code	600585
	Stock name	Conch Cement
(7)	**Date of first registration of the Company**	1 September 1997
	Place of first registration of the Company	Industrial and Commercial Administration Bureau, Anhui Province
	Date of registration of changes in particulars of the Company	10 September 2012
	Place of registration of changes in particulars of the Company	Industrial and Commercial Administration Bureau, Anhui Province
	Business license number for legal person	340000000000081
	Tax registration number	GSWZ 34020214949036-X DSWZ 34020214949036-X
(8)	**Legal adviser as to PRC law**	Jingtian & Gongcheng 34th Floor, Tower 3, China Central Place, 77 Jianguo Road, Chaoyang District, Beijing, the PRC
	Legal adviser as to Hong Kong law	Chiu & Partners 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong

(9)	**International auditors**	:	KPMG Certified Public Accountants 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
	Authorised signatory of the Accountant	:	Wai Ka Lun
	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
	Authorised signatory of the Accountant	:	Yu Xiaojun, Li Ling
(10)	**H Shares share registrar and transfer office**	:	Hong Kong Registrars Limited 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

2. Summary of Accounting Data and Financial Indicators

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

(Unit: RMB'000)

Items	**2012**	2011	2010	2009	2008
Revenue	**45,766,203**	48,653,809	34,508,282	24,998,007	24,228,268
Net profit attributable to equity shareholders of the Company (restated)	**6,331,103**	11,586,382	6,159,643	3,502,098	2,603,385
Total assets (restated)	**87,523,523**	84,003,416	60,407,154	47,148,498	42,532,123
Total liabilities	**36,720,402**	37,554,590	25,157,974	18,179,216	17,496,416

Note: Under the Annual Improvements to IFRSs (2010) promulgated by the International Accounting Standards Board ("IASB"), the Group recognized in the financial report prepared according to IFRSs the land valuation surplus arising from restructuring and listing process since 2011, and restated the comparative figures of the "Net profit attributable to equity shareholders of the Company" and "Total assets" from 2008 to 2010 prepared according to IFRSs as stated in the above table.

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

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

Table 1: (Unit: RMB'000)

Items	2012	2011	Year-on-year change (%) between 2012 and 2011	2010
Revenue	**45,766,203**	48,653,809	–5.94	34,508,282
Profit before taxation	**8,087,817**	15,652,193	–48.33	8,078,332
Net profit attributable to equity shareholders of the Company	**6,307,587**	11,589,827	–45.58	6,171,403
Net profit after extraordinary items attributable to equity shareholders of the Company	**5,651,326**	11,059,571	–48.90	5,902,351
Basic earnings per share (RMB/share) (before restatement)	**1.19**	2.19	–45.58	1.75
Basic earnings per share (RMB/share) (restated)	**1.19**	2.19	–45.58	1.16
Diluted earnings per share (RMB/share) (before restatement)	**1.19**	2.19	–45.58	1.75
Diluted earnings per share (RMB/share) (restated)	**1.19**	2.19	–45.58	1.16
Basic earnings per share after extraordinary items (RMB/share) (before restatement)	**1.07**	2.09	–48.90	1.67
Basic earnings per share after extraordinary items (RMB/share) (restated)	**1.07**	2.09	-48.90	1.11
Diluted return on net assets (%)	**12.90**	25.85	Decreased by 12.95 percentage points	17.63
Weighted average return on net assets (%)	**13.50**	29.10	Decreased by 15.60 percentage points	19.39
Diluted return on net assets after extraordinary items (%)	**11.56**	24.66	Decreased by 13.10 percentage points	16.86
Weighted average return on net assets after extraordinary items (%)	**12.10**	27.77	Decreased by 15.67 percentage points	18.54
Net cash flow generated from operating activities	**11,508,639**	10,491,812	9.69	6,010,307
Net cash flow per share generated from operating activities (RMB/share) (before restatement)	**2.17**	1.98	9.69	1.70
Net cash flow per share generated from operating activities (RMB/share) (restated)	**2.17**	1.98	9.69	1.13

2. Summary of Accounting Data and Financial Indicators

Table 2: (Unit: RMB'000)

Items	**As at 31 December 2012**	As at 31 December 2011	Year-on-year change (%) between 2012 and 2011	As at 31 December 2010
Total assets	**87,523,523**	84,003,416	4.19	60,411,853
Total equity attributable to equity shareholders of the Company	**48,901,205**	44,839,509	9.06	35,003,281
Net assets per share attributable to equity shareholders of the Company (RMB/share) (before restatement)	**9.23**	8.46	9.06	9.91
Net assets per share attributable to equity shareholders of the Company (RMB/share) (restated)	**9.23**	8.46	9.06	6.61

Note: The Group implemented the capitalization issue proposals in 2011 which resulted in a change in the Company's share capital. As such, the Group restated the "Basic earnings per share", "Diluted earnings per share", "Basic earnings per share after extraordinary items", and "Net cash flow per share generated from operating activities" of 2010 in Table 1 above; and restated the "Net assets per share attributable to equity shareholders of the Company" as at 31 December 2010 in Table 2 above.

2. Extraordinary items and amount for the Reporting Period

(Unit: RMB'000)

Extraordinary items	**2012**	2011	2010
(1) Loss on disposal of non-current assets	**22,743**	98,246	(10,351)
(2) Government subsidy	**766,844**	431,750	351,315
(3) Gain/(Loss) on changes in the fair value of financial assets held for trading and gain on disposal of financial assets held for trading and financial assets available for sale	**26,101**	19,478	1,753
(4) Gain on investment cost for acquisition of subsidiaries less than the fair value of identifiable net assets	**8,924**	1,035	–
(5) Reversal of impairment provision for receivables subject to separate impairment test	**–**	–	831
(6) Gain/(Loss) on entrusted loans	**29,168**	130,325	–
(7) Entrusted fee income obtained from entrusted operation	**814**	–	–
(8) Charges on share of funds received from non-financial enterprises included in the current income statement	**9,301**	–	–
(9) Other non-operating income and expenses other than the above items	**9,296**	11,098	10,807
(10) Effect of extraordinary items on income tax	**(203,201)**	(155,893)	(80,729)
(11) Effect of extraordinary items on minority interests	**(13,729)**	(5,783)	(4,574)
Total	**656,261**	530,256	269,052

2. Summary of Accounting Data and Financial Indicators

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

(Unit: RMB'000)

	Net profit attributable to parent company		Equity attributable to equity shareholders of parent company	
	1 January to 31 December 2012 (Audited)	1 January to 31 December 2011 (Audited)	**As at 31 December 2012 (Audited)**	As at 31 December 2011 (Audited)
As reported in the statutory financial statements in accordance with the PRC Accounting Standards	**6,307,587**	11,589,827	**48,901,205**	44,839,509
– Deferral of subsidy income not subject to "China Accounting Standards for Business Enterprises No.16 – Government Subsidy" in accordance with IFRSs	**23,516**	(3,445)	**(363,665)**	(382,701)
As reported in accordance with IFRSs	**6,331,103**	11,586,382	**48,537,540**	44,456,808

3. Management Discussion and Analysis

MACRO-ENVIRONMENT

In 2012, the PRC government implemented a proactive fiscal policy and a prudent monetary policy, strengthened its macro-economic control, managed inflation expectations and refined its economic structure, which resulted in a steady development of the PRC economy. During the year of 2012, the year-on-year GDP growth rate was 7.8%, down by 1.4 percentage points as compared to the previous year. Fixed asset investments across the country saw a year-on-year growth rate of 20.6%, down by 3.4 percentage points from that in the same period of last year, while property investment sustained a year-on-year increase of 16.2%, down by 11.9 percentage points from that in the same period of last year. (Source: National Bureau of Statistics of China)

In 2012, the PRC's cement production volume rose by 7.44% year-on-year to 2.18 billion tonnes, with the growth rate representing a decrease of 4.26 percentage points from that in the same period of last year. Investments in the PRC cement industry declined by 6.95% year-on-year to RMB137.9 billion. Slowdown in the growth in fixed asset investments had weakened market demand, leading to decelerating growth in cement consumption, intensified market competition, and sharp decline in cement price, thus significantly eroding industry profits. (Source: Digital Cement)

ANALYSIS OF OPERATIONAL CONDITIONS

Operations

Encountering the adverse impact of the decelerating growth in macro-economy and the slowdown in the growth of cement market demand in 2012, the Group proactively responded to the intense competition in the cement market by timely adjusting its marketing strategies according to various regional market conditions and market changes at different times to increase market share; leveraged its competitive edge in bulk procurement of raw materials and fuel and captured the opportunities arising from the decrease in coal price to lower the procurement costs; strengthened internal control system to control operating costs, and enhanced its competitiveness in respect of production, supply and sales, thereby achieving relatively satisfactory operating results as compared to other market players.

3. Management Discussion and Analysis

During the Reporting Period, in accordance with the PRC Accounting Standards, the Group's revenue from its principal activities amounted to RMB45.063 billion, representing a decrease of 6.41% from that in the same period of last year; the net profit attributable to equity shareholders of the Company amounted to RMB6.308 billion, representing a decrease of 45. 58% from that in the same period of last year; and earnings per share were RMB1.19. In accordance with the IFRS, the revenue amounted to RMB45.766 billion, representing a decrease of 5.94% from that in the same period of last year; the net profit attributable to equity shareholders of the Company amounted to RMB6.331 billion, representing a decrease of 45. 36% from that in the same period of last year; and earnings per share were RMB1.19.

During the Reporting Period, the Group continued its development momentum, with project construction proceeding at a steady pace. Construction of the nine clinker production lines and their ancillary residual heat electricity generation units of Suzhou Conch, Zunyi Conch and Quanjiao Conch Cement Co., Ltd. ("Quanjiao Conch"), as well as the 19 cement grinding units of Yangzhou Conch Cement Co., Ltd., Jianghua Conch Cement Co., Ltd. and Longling Conch Cement Co., Ltd. ("Longling Conch") had been completed and put into operation. As to merger and acquisition, the Group proactively conducted project research and feasibility study. Adhering to the principles of "adequate resources, full set of equipment, complete approvals and certificates as well as strong market potential and competitiveness", the Group acquired six cement enterprises, including Sichuan Nanwei, Xinjiang Hami Construction Material Company and Guangxi Lingyun Cement. All the above resulted in additional clinker production capacity of 20.80 million tonnes and additional cement production capacity of 28.30 million tonnes in 2012.

As at the end of 2012, the Group's clinker production capacity and cement production capacity amounted to 184 million tonnes and 209 million tonnes respectively, with a total residual heat electricity generating capacity of 881MW. In 2012, the Group produced an aggregate of 154 million tonnes of clinker and 149 million tonnes of cement, representing a year-on-year increase of 13.81% and 17.17% respectively.

The Ministry of Industry of Indonesia and Conch Holdings signed a Memorandum of Understanding for collaboration in cement project

Fully blend into the local culture and respect local customs of Indonesia

23 March 2012
Conch Holdings was among the Chinese and Indonesian enterprises whose executive officers were invited to meet with the President of Indonesia

27 September 2012
PT Conch entered into the land acquisition agreement

March 2012
A delegation led by the deputy provincial governor Huang Haisong inspected Indonesia Conch during their visit to the country

22 November 2012
PT Conch held the commencement ceremony of the construction of its first power plant project

11 January 2013
PT Conch successfully carried out the on-load trial run of the crusher system

20 December 2012
The first pile to support the back-end of the PT Conch's kiln was successfully driven into the ground

3. Management Discussion and Analysis

During the Reporting Period, the Group executed its strategies in terms of internationalisation at a steady pace. Phase-one of the cement project of PT Conch in Indonesia – the Group's first overseas investment project, with a clinker production line of 3,200 t/d, commenced construction at the end of 2012. In addition, the Group also conducted an on-site survey and research on the subject projects in Southeast Asian countries including Vietnam and Malaysia.

During the Reporting Period, the Group proactively and persistently complied with the government's policies in respect of energy saving and emission reduction, and timely launched a technical research on nitrogen oxides ("NOx") reduction. The low-NOx staged combustion technology developed by the Group leveraging international advanced technology had been successfully applied in the 5,000 t/d clinker production line of Wuhu Conch. 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 had also shown a remarkable result in reducing emission. Meanwhile, 15 clinker production lines of the Group's subsidiaries including Chongqing Conch and Jiande Conch were successfully upgraded with the said technology.

After years of continuously rapid and healthy development, the Group has gained relatively extensive experience in operation management and tailored scientific and sound development strategies to fit its own conditions, and has thus developed competitive advantages in technology, equipment, resources, funds, human resources and management. During the Reporting Period, the Group fully leveraged these advantages to implement the Company's development strategies in a proactive and prudent manner, and continued to pursue management innovation, technical upgrade, energy conservation and emission reduction, so as to further strengthen and enhance the Company's core competitiveness.

Sales Market Overview

In 2012, the Group realised an aggregate net sales volume of cement and clinker of 187 million tonnes, representing a year-on-year growth of 18.33%. However, affected by the decrease in product prices, sales revenue decreased by 6.41% as compared to that in the same period of last year.

Markets and Sales by Region

Region	2012 Sales amount (RMB'000)	2012 Percentage (%)	2011 Sales amount (RMB'000)	2011 Percentage (%)	Changes in sales amount (%)	Change in sales proportion (percentage points)
	Sales Amount by Region					
East China Note 1	**16,055,720**	**35.63**	18,917,290	39.29	–15.13	-3.66
Central China Note 2	**12,265,857**	**27.22**	15,167,366	31.50	–19.13	-4.28
South China Note 3	**8,618,193**	**19.12**	8,828,901	18.34	–2.39	0.78
West China Note 4	**6,735,135**	**14.95**	4,239,463	8.81	58.87	6.14
Export	**1,387,921**	**3.08**	993,837	2.06	39.65	1.02
Total	**45,062,826**	**100.00**	48,146,857	100.00	–6.41	–

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

3. Management Discussion and Analysis

During the Reporting Period, as the Group strove to expand market coverage and increase market share, the sales volume of each region increased by different degrees. Though the sales volume in East China and Central China reported a year-on-year increase of 17.82% and 6.68% respectively, the sales amount dropped by 15.13% and 19.13% respectively on a year-on-year basis due to the decrease in selling prices.

The overall market in South China remained stable. During the Reporting Period, the sales volume rose by 9.56% year-on-year, while the selling prices recorded a year-on-year decrease of 10.90%, resulting in a sales amount basically similar to that of last year.

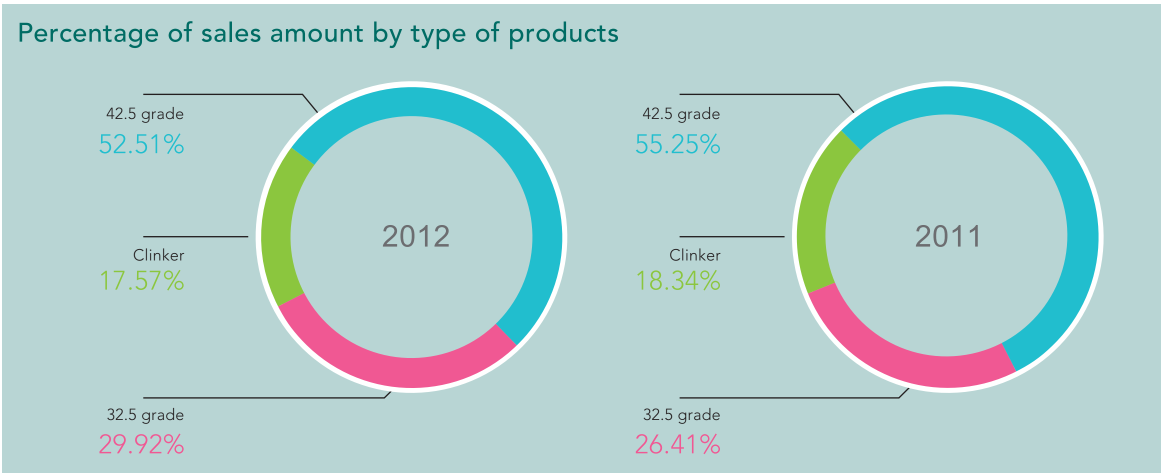
Notable results from sales network development and consolidation in the West China market further reinforced the Group's market dominance and competitiveness, leading to substantial growth in both the sales volume and sales amount. During the Reporting Period, the new construction projects including Zunyi Conch and Longling Conch were gradually completed and commenced production; meanwhile the Company conducted technical upgrade on and strengthened operation management of the acquired companies, resulting in significant improvement in operation. The sales volume and sales amount increased by 57.19% and 58.87% respectively on a year-on-year basis.

With respect to export, the Group stepped up its efforts in international cement market expansion, especially in the emerging markets including Southeast Asia and Africa, with a year-on-year increase of 43.87% and 39.65% respectively in export sales volume and sales amount.

3. Management Discussion and Analysis

SALES BY TYPE OF PRODUCTS

During the Reporting Period, the percentage of sales amount contributed by each of the Group's 32.5 - grade cement, 42.5-grade cement and clinker products remained stable, with only a slight change in the proportion of 32.5-grade cement and 42.5-grade cement.



3. 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
	2012 **(RMB'000)**	2011 (RMB'000)	(%)
Revenue from principal activities	**45,062,826**	48,146,857	–6.41
Profit from operations	**7,015,803**	14,960,294	–53.10
Profit before taxation	**8,087,817**	15,652,193	–48.33
Net profit attributable to equity shareholders of the Company	**6,307,587**	11,589,827	–45.58

During the Reporting Period, affected by the decrease in the selling prices of products, the Group's revenue from principal activities decreased by 6.41% year-on-year to RMB45,062.83 million, and its profit from operations amounted to RMB7,015.80 million, representing a year-on-year decrease of 53.10%; the net profit attributable to equity shareholders of the Company decreased by 45.58% year-on-year to RMB6,307.59 million.

3. Management Discussion and Analysis

Gross profit by type of products in 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 last year (%)	Year-on-year change in gross profit margin (percentage points)
42.5-grade cement	23,662,705	17,216,562	27.24	39.50	–12.26
32.5-grade cement	13,482,117	9,038,470	32.96	44.56	–11.60
Clinker	7,918,004	6,191,568	21.80	35.56	–13.76
Total	45,062,826	32,446,600	28.00	40.11	–12.11

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

In 2012, affected by the significant decrease in selling prices, gross profit margin of cement of different grades and commodity clinker showed varying degrees of decline. The consolidated gross profit margin amounted to 28.00%, representing a decrease of 12.11 percentage points from that of last year.

ANALYSIS OF COSTS AND EXPENSES

Consolidated costs in 2012 and its year-on-year change

	2012		2011		Change in unit cost	Change in costs proportion
Item	**Unit cost (RMB/ton)**	**Percentage (%)**	Unit cost (RMB/ton)	Percentage (%)	(%)	(percentage points)
Raw materials	**26.83**	**15.47**	28.41	15.57	–5.56	–0.10
Fuel and power	**114.74**	**66.14**	123.05	67.46	–6.75	–1.32
Depreciation expense	**12.90**	**7.44**	11.84	6.49	8.95	0.95
Others	**19.00**	**10.95**	19.11	10.48	–0.58	0.47
Total	**173.47**	**100.00**	182.41	100.00	–4.90	–

With respect to consolidated costs, all costs of the Company were basically under control during the Reporting Period, with the consolidated costs for the year down by RMB8.94/ton year-on-year, which was mainly due to the decrease in the prices of coal and raw materials.

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

Expenses for the period	**2012 amount (RMB'000)**	**2011 amount** (RMB'000)	**As a percentage of revenue from principal activities for the Reporting Period** (%)	**As a percentage of revenue from principal activities for the same period last year** (%)	**Change in percentage of revenue from principal activities** (percentage points)
Selling expenses	**2,279,766**	1,859,205	5.06	3.86	1.20
Administrative expenses	**2,173,046**	1,789,413	4.82	3.71	1.11
Financial expenses (net)	**1,002,059**	629,089	2.22	1.31	0.91
Total	**5,454,871**	4,277,707	12.10	8.88	3.22

3. Management Discussion and Analysis

During the Reporting Period, driven by the increase in sales volume and expansion of the Group, the Group's selling, administrative and financial expenses in aggregate increased by RMB1,177.16 million as compared to the corresponding period of last year. As the Group's revenue from principal activities decreased due to the decline in product prices, the above expenses (selling expenses, administrative expenses and financial expenses) in aggregate as a percentage of revenue from principal activities was 12.10%, up by 3.22 percentage points as compared to the corresponding period of last year.

FINANCIAL POSITION

Asset and Liability Overview

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

Item	As at 31 December 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	**49,296,262**	43,034,948	14.55
Current and other assets	**38,227,261**	40,968,468	–6.69
Total assets	**87,523,523**	84,003,416	4.19
Current liabilities	**14,521,329**	16,991,329	–14.54
Non-current liabilities	**21,826,104**	20,170,372	8.21
Minority interests	**2,274,885**	2,002,206	13.62
Shareholders' equity attributable to equity shareholders of the Company	**48,901,205**	44,839,509	9.06
Total liabilities and equity	**87,523,523**	84,003,416	4.19

3. Management Discussion and Analysis

As at 31 December 2012, the Group's total assets and liabilities prepared in accordance with the PRC Accounting Standards amounted to RMB87,523.52 million and RMB36,347.43 million respectively, representing an increase of 4.19% and a decrease of 2.19% respectively as compared to those at the end of the previous year. As at 31 December 2012, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 41.53%, representing a decrease of 2.71 percentage points as compared to that at the end of the previous year. The Group maintained a relatively sound financial structure.

As at 31 December 2012, shareholders' equity attributable to equity shareholders of the Company amounted to RMB48,901.21 million, representing an increase of 9.06% as compared to that at the end of the previous year. Net assets per share attributable to equity shareholders of the Company was RMB9.23.

As at 31 December 2012, the Group's net fixed assets prepared in accordance with the PRC Accounting Standards amounted to RMB49,296.26 million, representing an increase of 14.55% as compared to that at the end of the previous year, which was mainly due to the commencement of production of several projects of the Company and the acquisition of six companies during the Reporting Period; the Group's current liabilities amounted to RMB14,521.33 million, representing a decrease of 14.54% as compared to that at the end of the previous year, which was mainly due to the decrease in tax payable and construction payables.

As at 31 December 2012, the total current assets and total current liabilities of the Group prepared in accordance with the PRC Accounting Standards amounted to RMB23,129.06 million and RMB14,521.33 million respectively, with a current ratio of 1.59:1 (corresponding period last year: 1.52:1). The total current assets and total current liabilities of the Group prepared in accordance with the IFRSs amounted to RMB23,621.58 million and RMB14,521.33 million respectively, with a net gearing ratio of 0.30 (corresponding period last year: 0.32).

3. Management Discussion and Analysis

Liquidity and Source of Funds

Maturity analysis of bank loans and other borrowings of the Group as at 31 December 2012 is as follows:

	As at 31 December 2012 (RMB'000)	As at 31 December 2011 (RMB'000)
Due within 1 year	**2,658,426**	3,197,073
Due after 1 year but within 2 years	**2,968,873**	5,192,272
Due after 2 years but within 5 years	**2,343,333**	4,553,568
Due after 5 years	**300,000**	27,273
Total	**8,270,632**	12,970,186

As at 31 December 2012, the Group's aggregate borrowings were RMB8,270.63 million, representing a decrease of RMB4,699.55 million as compared to those at the beginning of the year. The decrease was mainly attributable to the repayment of bank loans and the borrowings of medium-term notes from Conch Holdings (the controlling shareholder) during the Reporting Period.

3. Management Discussion and Analysis

Save for the aforesaid borrowings, the Group had outstanding corporate bonds in a principal amount of RMB15.5 billion, of which RMB9.5 billion would be due after 2 years but within 5 years, and RMB6 billion would be due after 5 years.

Analysis of Cash Flow

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

	2012 (RMB'000)	2011 (RMB'000)
Net cash flows generated from operating activities	**11,508,639**	10,491,812
Net cash flows generated from investment activities	**(8,469,662)**	(10,162,257)
Net cash flows generated from financing activities	**(2,670,923)**	4,728,484
Effect of exchange rate movement on cash and cash equivalents	**(4,268)**	–
Net increase in cash and cash equivalents	**363,786**	5,058,039
Balance of cash and cash equivalents at the beginning of the year	**7,747,188**	2,689,149
Balance of cash and cash equivalents at the end of the year	**8,110,974**	7,747,188

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB11,508.64 million, representing an increase of RMB1,017 million as compared to that of last year. Such increase was mainly due to the enhancement of control over the percentage of bills receivable and increase in endorsement of bills by the Group, with the balance of bills receivable decreasing by RMB2.4 billion as compared to that at the beginning of the year.

During the Reporting Period, the Group's net cash outflows from investment activities decreased by RMB1,692.60 million as compared to that of last year, mainly due to the Group's decrease in capital expenditure as compared to that of the corresponding period of last year.

During the Reporting Period, the Group's net cash inflows generated from financing activities decreased by RMB7,399.41 million as compared to that of last year, primarily as a result of the Group's decrease in borrowings.

Capital Expenditure

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB7.436 billion, which was primarily used in the investment in construction of cement and clinker production lines and the residual heat electricity generation projects as well as the expenditure in merger and acquisition of projects.

As at 31 December 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:

	As at 31 December 2012 (RMB'000)	As at 31 December 2011 (RMB'000)
Authorized and contracted for	**2,205,920**	2,805,495
Authorized but not contracted for	**5,707,262**	8,222,401
Total	**7,913,182**	11,027,896

Items measured by fair value

In accordance with the relevant requirements of the China Accounting Standards for Business Enterprises, the Group recognises the fair value of the forward exchange contract for the purpose of hedging as financial assets held for trading, and any changes of fair value will be recognized in the profit or loss for the period (for details, please refer to note 5(2) and note 10(3) to the financial statements prepared in accordance with the PRC Accounting Standards). The Group has adopted the market price of assets at the end of the period (i.e. the closing price at the year-end) as the fair value of available-for-sale financial assets and any changes of fair value would be recognised in capital reserve (for details, please refer to note 5(9) and note 10(3) to the financial statements prepared in accordance with the PRC Accounting Standards). For details on the risk analysis of financial instruments, please refer to the other material matters

(2) under note 10 to the financial statements prepared in accordance with the PRC Accounting Standards. During the Reporting Period, there was no major change in the measurement of the major assets of the Group.

(Unit: RMB'000)

Item	Amount as at the beginning of the period	Fair value movement for the period	Accumulated fair value movement recognized in equity	Impairment recognized for the period	Amount as at the end of the period
Financial assets					
1. Financial assets at fair value through profit or loss	75,896	2,079	–	–	106,324
2. Derivative financial assets	1,406	628	–	–	2,034
3. Available-for-sale financial assets	3,578,852	–	(499,038)	–	3,297,305
Financial assets sub-total	3,656,154	2,707	(499,038)	–	3,405,663

Financial assets and financial liabilities denominated in foreign currency

(Unit: RMB'000)

Item	Amount as at the beginning of the period	Fair value movement for the period	Accumulated fair value movement recognized in equity	Impairment recognized for the period	Amount as at the end of the period
Financial assets					
Of which: 1. Financial assets at fair value through profit or loss	1,406	628	–	–	2,034
Of which: Derivative financial assets	1,406	628	–	–	2,034
2. Loans and receivables	23,611	–	–	–	72,767
3. Available-for-sale financial assets	–	–	–	–	–
4. Investment held to maturity	–	–	–	–	–
Financial assets sub-total	25,017	628	–	–	74,801
Financial liabilities					
Of which:					
1. Financial liabilities carried at amortised cost	18,189	–	–	–	176,509
Financial liabilities sub-total	18,189	–	–	–	176,509

Note: During the Reporting Period, the assets denominated in foreign currency held by the Group were mainly US Dollar-denominated and Rupiah-denominated assets which included receivables and bank deposits, equivalent to RMB72.77 million and RMB227.44 million respectively; the Group's financial liabilities denominated in foreign currency were mainly US Dollar-denominated liabilities which included advance from customers and short-term borrowings, equivalent to RMB50.80 million and RMB125.71 million respectively (please refer to note 10(3) to the financial statements prepared in accordance with the PRC Accounting Standards for details). For details on the translation policy for the foreign currency transactions and foreign currency statements, please refer to note 2(8) to the financial statements prepared in accordance with the PRC Accounting Standards.

OUTLOOK FOR 2013

2013 is a crucial year of transition in respect of the 12th Five Year Plan. The PRC government will strengthen and improve macro-control, continue to implement proactive fiscal policy and prudent monetary policy as well as to promote a sustainable and healthy economic development. A year-on-year GDP growth rate of approximately 7.5% is anticipated. Fixed asset investments across the country is expected to attain a year-on-year growth of 18%. (Source: "Government Work Report"/National Development and Reform Commission)

In 2013, excessive production capacity and structural adjustment in the cement industry will remain unchanged, while new production capacity will reduce significantly and the supply-and-demand condition will further improve. In the aspect of demand, cement demand will maintain stable growth with the construction of infrastructure projects such as railway, highways and hydraulic facilities as well as affordable housing, driven by the PRC government's proactive and prudent measures to facilitate urbanization and the development of a modernized agricultural industry. Meanwhile, with the increasingly stringent environmental protection requirements and the continuity and deepening of the structural adjustment of the economy, small cement enterprises with weaker competitiveness will encounter greater pressure, while major enterprises may take the opportunity to merge with, acquire and restructure these enterprises to expedite industry consolidation, which will in turn raise the industry's concentration level.

In 2013, the Group will capture the opportunity arising from the structural adjustment of the cement industry in the PRC to accelerate construction of new projects and projects in progress. Meanwhile, by proactively implementing the Guiding Opinions for Accelerating the Mergers and Acquisitions among Enterprises in Key Industries jointly promulgated by 12 national ministries of the PRC including the Ministry of Industry and Information Technology, the Group will step up its merger and acquisition activities in Central and West China. In addition, the Group will continue to proactively and prudently execute its international strategies, proceed with the construction of the cement project in South Kalimantan of Indonesia and identify other suitable overseas projects. Furthermore, the Group will explore and extend its business into the upstream and downstream industries, increasing its investments in the aggregate project and entering the commodity concrete market when suitable opportunity emerges.

3. Management Discussion and Analysis

In 2013, the Group's planned capital expenditure amounts to approximately RMB8.2 billion (excluding merger and acquisition expenditure), which will be funded primarily by internal resources and supplemented by bank loans and mainly used in the construction of the cement and clinker production lines and ancillary residual heat electricity generation projects of Baoshan Conch Cement Co., Ltd. and Qianxian Conch Cement Co., Ltd. ("Qianxian Conch"). It is expected that the clinker and cement production capacity will increase by approximately 15.40 million tonnes and 22.45 million tonnes respectively for the full year.

In 2013, the Group will closely monitor the changes in the macro-business environment, study and assess the market conditions more closely and reinforce coordination among the regional markets so as to expand its market share. The Group will further improve its internal control system and strengthen its internal management to enhance its management standard. Furthermore, the Group will continue to optimize the remuneration incentive scheme and attract and cultivate talents to facilitate sustainable development of the Company. The Group targets to increase the net sales volume of cement and clinker by approximately 20% year-on-year. It is expected that the cost and expense of the products per ton will remain stable as compared to that of last year.

In 2013, the Group may be exposed to the following three major risks:

1. The cement industry in which the Company operates is highly dependent on the construction industry and closely related to the national economic growth pace, as well as susceptible to the cyclical changes in the macro-economy. Therefore, the cyclical volatility in the macro-economy and adjustment of the macro-economic policy will materially affect the operation and development of the cement industry through its effect on the fixed asset investments. In the process of economic structural adjustment in China, the growth of fixed asset investment may slow down, which would have direct impact on the market demand for and market price of building material products, hence adversely affecting the future development of the Company.

   To address the above-mentioned risks, the Group will closely monitor the changes in the State's macro-economic policies and step up its efforts in conducting analysis and research on policies that affect the cement industry and related factors. Meanwhile, to align with the Company's development strategies, the Group will continue to expand its regional markets to mitigate the negative impact on the Company caused by volatility in a single market or a fragment of the market. Furthermore, the Group will fine-tune its market network, and timely adjust its marketing strategies according to changes in the market environment to ensure smooth production and operations of the Company.

2. Coal and electricity are the major types of energy consumed by the Company in the production process. The cost of these two types of energy accounts for a large portion of the total cost of cement production. The cost of fuel and power (such as coal and electricity) accounts for more than 60% of the total manufacturing cost of cement. In the event of substantial surge in energy prices due to factors such as policy adjustment or changes in market supply and demand, the Company will be under pressure of rising production costs. If the increase in cost resulted from the above factors could not be entirely transferred to the product price, the Company's profitability may be adversely affected.

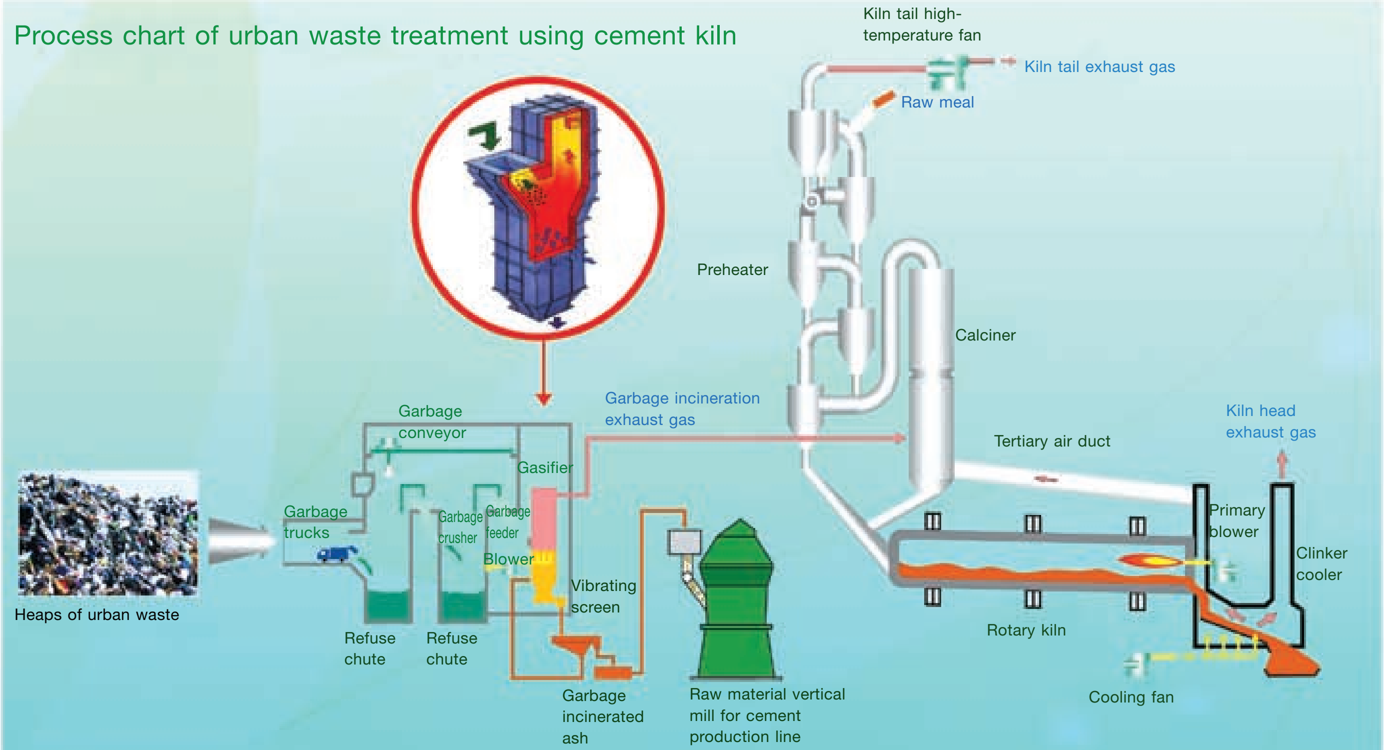
   In order to address the above-mentioned risks, the Group will continue to further develop the strategic cooperation with domestic large-scale coal groups, expand coal procurement channels and take advantage of bulk procurement to acquire coal needed for production in the ordinary course of business at a reasonable price. In the meantime, the Company will strengthen its internal control, lower various indicators such as coal and electricity consumption rates, and carry out technical modification to promote energy conservation and emission reduction, while reducing cost and improving efficiency, in order to enhance its market competitiveness.

3. Dust is a major pollutant from the production process of cement enterprises. The Company has installed necessary environmental protection equipment in all production bases pursuant to the relevant environmental protection requirements, so as to collect cement dust for reuse and comply with the dust discharge standard. However, with the further implementation of recycling economy and sustainable development, as well as the enhancement of public environmental awareness, the State may introduce more stringent laws and regulations to raise the environmental requirements for cement enterprises, which may lead to an increase in expenses on environmental protection by the Company.

To address the above-mentioned risks, the Group will continue to increase input for environmental protection, energy conservation and emission reduction, including application of dust collection equipment, residual heat electricity generation, waste treatment, NOx reduction and other technologies. With a significant leading comprehensive competitiveness in environmental protection compared to industry average, the Group will continue to optimize its environmental management in the future, as a role model of big enterprises to the industry. Stringent enforcement of national policies and regulations in respect of environmental protection will speed up the phase-out of backward production capacity and facilitate the structural adjustment of the cement industry. All these will enable the Group to further leverage and benefit from its competitive edge.

1. Picturesque landscape of Wuhu Conch
2. Operation platform of the waste treatment project
3. The waste treatment project of Tongling Conch
4. Process chart of urban waste treatment using cement kiln

Process chart of urban waste treatment using cement kiln



The urban household waste treatment technology using the NSP kiln developed and applied by the Company, fully addresses the problems such as the requirement of a large amount of landfill space and environmental pollution caused by traditional waste treatment method, while effectively degrading dioxine, thereby achieving the goal of “reduction, recycle and detoxification” for waste treatment and providing a new solution to promote urbanization and effectively solve the problem of urban waste treatment. The demonstrative project of Tongling Conch – the first system in the world using cement kiln in waste treatment with a capacity of 600t/d had been put into operation. As at the end of 2012, the system had processed 285,300 tonnes of waste since its commencement of operation in April 2010. The waste treatment project using cement kiln of Guiding Conch with a capacity of 200t/d was put into operation in November 2012 and has been running smoothly.

④

4. Report of the Directors

(1) PRINCIPAL INVESTMENTS DURING THE REPORTING PERIOD

1. Investment in project companies and capital increase in subsidiaries during the Reporting Period

(1) On 5 April 2012, the Company invested in and established Bazhong Conch, 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 in 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.

(3) During the Reporting Period, the Company made cash injection into the following subsidiaries with the capital increase as follows:

Name of subsidiaries	Capital increase (RMB'000)	Enlarged registered capital (RMB'000)	The Company's shareholdings upon the capital increase
1. Longling Conch	190,000	225,000	100%
2. Qianxian Conch	199,200	200,000	100%
3. Jiangxi Ganjiang Conch Cement Co., Ltd.	52,000	165,000	100%
4. Wuhu Conch Logistic Co., Ltd.	30,000	40,000	100%
5. Qianxinanzhou Resources Development Co., Ltd.	56,200	120,000	51%
6. Jiangmen Conch	55,000	105,000	100%

Note: After completion of the capital increase, the Company's shareholding in the above subsidiaries remained the same as before.

2. Acquisition of project companies during the Reporting Period

(1) 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. 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.

(2) 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 registered capital of Bozhou Conch) and the remaining RMB9 million is attributable to Song Houjin (representing 30% of the registered capital of Bozhou Conch). With a target to build a two-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 above transfer of assets were completed.

4. Report of the Directors

(3) Hami Hongyi Construction Material Co., Ltd.

On 7 April 2012, the Company entered into an equity transfer agreement with the then shareholders of Hami Hongyi Construction Material Co., Ltd. ("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. 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 above transfer of equity interests and change of business registration with the relevant industrial and commerce authority were completed.

(4) 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 Tonghong Cement Co., Ltd. ("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. 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 above transfer of equity interests and change of business registration with the relevant industrial and commerce authority were completed.

(5) 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 in 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 registered capital of Zhenjiang Conch) and RMB10 million is attributable to Jiangsu Beigu Cement (representing 20% of the registered capital of 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 above transfer of assets were completed.

(6) Maoming Dadi Cement Co., Ltd.

On 27 June 2012, the Company entered into an equity transfer agreement with the then shareholders of Maoming Dadi Cement Co., Ltd. ("Maoming Dadi Cement"), namely Maoming Zhongcheng Investment Co., Ltd. and Lin Bin, in relation to the acquisition of 67% equity interests in Maoming Dadi Cement.

Maoming Dadi Cement has a registered capital of RMB60 million. It owns a cement grinding mill with an annual production capacity of 750,000 tonnes and another cement grinding mill under construction with an annual production capacity of 1.25 million tonnes. On 24 July 2012, the procedures for the above transfer of equity interests and change of business registration with the relevant industrial and commerce authority were completed.

3. Shareholdings in other listed companies and trading of shares of other listed companies

As approved and authorized by the Board, the Company utilized some of its own funds for making investment in a few PRC-listed companies in the cement industry with competitive strengths and growth potential. During the Reporting Period, the Company and Wuhu Conch (a wholly-owned subsidiary of the Company) participated in a private placement of Qingsong Building Materials and Chemicals to subscribe for 107,800,000 shares and 30,000,000 shares of Qingsong Building Materials and Chemicals respectively, representing 15.64% and 4.35% of its total shares respectively. The Company acquired 613,473 shares in Qingsong Building Materials and Chemicals through the clearing system of SSE. As at the end of the Reporting Period, the Company and Wuhu Conch aggregately held 20.08% equity interests of Qingsong Building Materials and Chemicals.

(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 the subject 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	436,787,413	–	(16,541,994)
000401	Jidong Cement	2,601,031,687	15.39	2,860,517,392	–	(495,971,503)
600425	Qingsong Building Materials and Chemicals	1,820,893,491	20.08	1,818,628,909	(2,264,582)	(2,264,582)
	Total	4,519,944,873		5,115,933,714	(2,264,582)	(514,778,079)

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

(2) During the Reporting Period, the Group's trading of shares of other listed companies are set out as follows:

Stock code	Short name	Numbers of shares at the beginning of the period (shares)	Numbers of shares purchased during the Reporting Period (shares)	Amount of capital used (RMB)	Numbers of shares sold during the Reporting Period (shares)	Amount of capital obtained from sale of shares (RMB)	Numbers of shares at the end of the period (shares)	Investment income (RMB)
600802	Fujian Cement	9,631,551	5,690,591	34,466,863	757,200	5,266,015	14,564,942	(852,161)
000401	Jidong Cement	185,523,828	21,760,011	263,806,182	–	–	207,283,869	–
000885	Tongli Cement	3,874,000	–	–	3,874,000	46,315,149	–	24,246,125

Note: The shares held by the Company in Fujian Cement were recognized in "Financial assets held for trading", while the shares in Tongli Cement were recognized in "Available-for-sale financial assets".

4. 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. During the Reporting Period, the proposed investment projects funded by such proceeds had all been completed and commenced operation, with the balance of the Proceeds amounting to RMB83.67 million, representing 0.74% of the net proceeds raised. According to the relevant regulations, on 27 December 2012, the Board approved to use the above balance to supplement the Company's liquidity. During the Reporting Period, the Proceeds were used by the Group in the following projects:

(Unit: RMB'000)

Items	Description of the Projects	Progress of the project	Amount of fund used during the Reporting Period	Gain from the project during the Reporting Period
1	4×4,500t/d cement and clinker production lines project of Chizhou Conch	In operation	82,160	171,400
2	2×18MW residual heat electricity generation projects of Chizhou Conch	In operation	32,870	114,240
3	18MW residual heat electricity generation projects of Beiliu Conch	In operation	750	60,990
4	4,500t/d cement and clinker production line project (phase two) of Beiliu Conch	In operation	3,390	63,920
5	4,000t/d cement and clinker production line project of Xing'an Conch Cement Co., Ltd.	In operation	860	43,360
Total			120,030	453,910

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

The net proceeds raised from public issue of corporate bonds in 2012 amounted to RMB5,995.24 million. The raised fund will be applied to supplement the Company's liquidity and adjust its debt structure. As at 31 December 2012, the accumulated proceeds used by the Company amounted to RMB4,210 million, of which RMB3,000 million was used to supplement the Company's liquidity and RMB1,210 million was used to repay loans. The remaining proceeds amounted to RMB1,785.24 million.

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

(Unit: RMB'000)

Items	Description of the Investment Projects	Progress of the project	Total investment of the project	Investment amount during the Reporting Period	Accumulated investment amount	Gain from the project during the Reporting Period
1	2×4,500t/d cement and clinker production lines and 18MW residual heat electricity generation project of Zunyi Conch	In partial operation	1,505,260	421,360	833,700	10,070
2	2×4,500t/d cement and clinker production lines and 9MW residual heat electricity generation project of Suzhou Conch	In partial operation	1,307,050	443,660	1,106,660	109,160
3	2×12,000t/d clinker production lines (phase three) and 36MW residual heat electricity generation project of Wuhu Conch	In operation	1,957,200	187,870	2,065,410	162,740
4	2×4,500t/d cement and clinker production lines and 18MW residual heat electricity generation project of Quanjiao Conch	In operation	996,130	149,780	1,071,730	112,530
Total		–	5,765,640	1,202,670	5,077,500	394,500

7. Financial entrustment and entrusted loans

(1) 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 such trust, while Sichuan Trust is the trustee of such trust. 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.

(2) During the Reporting Period, to support the production operation and development of the project company acquired by the Company namely Sichuan Nanwei Cement (a wholly-owned subsidiary of the Company), the Company entrusted the Bank of China Wuhu Branch to advance a loan of RMB130 million to Sichuan Nanwei Cement to supplement its liquidity. The entrusted loan is for a term of three years (i.e. from 27 April 2012 to 27 April 2015) with an interest rate of 5.734%.

8. Principal majority-owned subsidiaries and invested companies

As at 31 December 2012, the Company had 109 majority-owned subsidiaries, 1 jointly–controlled entity and 2 associated entities, details of which were set out in notes 18, 19 and 20 to the financial statements prepared in accordance with IFRS in this report.

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

(Unit: RMB'000)

Items	Name	Registered capital	Total assets	Net assets	Revenue from principal activities	Profit from principal activities	Net profit
1	Tongling Conch	742,000	3,820,746	1,885,190	3,323,314	525,800	448,477
2	Wuhu Conch	660,000	4,520,434	1,862,545	3,064,318	556,401	439,049
3	Chizhou Conch	950,000	4,085,018	2,940,522	2,549,015	434,854	351,284

The principal business activities of the above three subsidiaries are production and sales of cement and commodity clinkers, which net profits recorded a substantial decrease due to a significant decline in product price compared to that of the same period of last year.

(2) PROFIT APPROPRIATION

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

During the Reporting Period, pursuant to the Circular on the Further Implementation of Matters Relevant to Cash Dividend by Listed Companies (Zhengjianfa No. 37 [2012]) 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 shareholders at the Company's first extraordinary general meeting for the year 2012 which was held on 21 August 2012. For further details, please refer to the Company's announcement dated 22 August 2012 and published on the SSE website and Shanghai Securities Journal and the Company's announcement dated 21 August 2012 and published on the websites of the Stock Exchange and the Company respectively.

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. When distributing profit, the Company shall have regard to the importance of maintaining a reasonable return to investors as well as the sustainable development of the Company. The Company adopts cash dividend distribution as its main profit distribution policy, and the independent directors shall expressly give their opinion on the matters concerned. Cash dividends to be distributed by the Company for any financial year shall not be less than 10% of the total distributable profit of the same financial year. When the Board submits a cash dividend distribution proposal to the general meeting of shareholders, it shall proactively communicate with shareholders of the Company, in particular the minority shareholders."

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.

4. Report of the Directors

During the Reporting Period, the Company executed the profit distribution proposal for the year 2011 which was approved at the 2011 annual general meeting of the Company. It was proposed that based on the total number of issued shares of 5,299,302,579 shares at the end of 2011, a cash dividend of RMB3.50 (tax inclusive) was paid to all the shareholders of the Company for every 10 shares held, totaling RMB1,854,755,903. The relevant record date was 13 June 2012 and the ex-dividend date was 14 June 2012. 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. The announcement regarding the implementation of the aforesaid dividend distribution was published on 8 June 2012 (on the SSE website and Shanghai Securities Journal) and 7 June 2012 (on the websites of the Stock Exchange and the Company) respectively.

The profit appropriation plans or proposals and capitalization of capital reserve fund in the past three years (including the Reporting Period) are as follows:

Year	**Capitalization of capital reserve fund for the year**	**Dividend for the year** (RMB'000)	**Cash dividend for the year to net profit attributable to equity shareholders of the Company**
2010	5 new shares were issued for every 10 existing shares held by way of capitalization of the capital reserve fund	1,059,861	17.17%
2011	/	1,854,756	16.00%
2012	/	1,324,826	21.10%

2. Profit appropriation proposal

Based on the financial data prepared in accordance with the PRC Accounting Standards and IFRS respectively, the Group's profit after tax and minority interests for year 2012 amounted to RMB6,307.59 million and RMB6,331.10 million respectively. The Board proposed the appropriation of the profit for the year ended 31 December 2012 as follows:

(1) Pursuant to the requirements of the Articles of the Company, the Company shall allocate 10% of its profit after tax to the statutory surplus reserve, provided that no allocation is required if the accumulated statutory surplus reserve exceeds 50% of the registered capital of the Company. It is proposed that an amount of RMB846.86 million shall be appropriated to the statutory surplus reserve for the year 2012, so that the accumulated amount would reach 50% of the registered capital of the Company.

(2) Based on the Company's total number of issued shares of 5,299,302,579 shares in its share capital as at 31 December 2012, the payment of a final dividend of RMB0.25 per share (tax inclusive) is proposed, totaling RMB1,324.83 million.

The above profit appropriation proposal is subject to consideration and approval by shareholders at the annual general meeting for year 2012.

As far as the Company is aware, as at the date of this report, there was no arrangement under which any shareholder has waived or agreed to waive any dividend proposed to be distributed for the year 2012.

According to the Corporate Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》) and the relevant implementation rules which came into effect on 1 January 2008, and the Notice on Issues relating to Withholding and Payment of Corporate Income Tax by Chinese Resident Enterprise over Dividends Distributable to their Holders of H-Shares Who are Overseas Non-resident Enterprises (Guoshuihan No. 897 [2008]) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》國税函[2008]897號) and Notice on Issues relating to Collecting Individual Income Tax after the Document of Guoshuifa No. 045 [1993] becomes Void (Guoshuihan No. 348 [2011]) (《關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》國税函[2011]348號) promulgated by State Administration of Taxation on 6 November 2008 and 28 June 2011 respectively, the Company is required to withhold and pay corporate income tax or individual income tax at the same rate of 10% before distributing the final dividend to non-resident enterprise shareholders and individual shareholders whose names appear on the H Shares register of members of the Company.

(3) TAXATION

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

(4) MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2012, in the business operation of the Group, the aggregate sales amount of the Group to its five largest customers amounted to RMB1.020 billion, representing 2.23% of the total sales amount of the Group; and the largest customer accounted for 0.53% of the total sales amount of the Group; the aggregate purchases amount from the five largest suppliers amounted to RMB4.458 billion, representing 13.72% of the total purchases amount of the Group; and the largest supplier accounted for 3.57% of the total purchases amount of the Group.

Save for those disclosed above, none of the Directors, Supervisors nor their respective associates (as defined in the HKSE Listing Rules) nor, to the knowledge of the Board, shareholders holding 5% or more of the issued shares of the Company has interests in any of the five largest customers or five largest suppliers of the Group for the year ended 31 December 2012. The major raw materials and energy used by the Company are denominated in RMB.

(5) LEASEHOLD LAND, PROPERTY, PLANT AND EQUIPMENT

Changes in leasehold land, property, plant and equipment of the Company for the year ended 31 December 2012 were set out in notes 14 and 15 to the financial statements prepared in accordance with the IFRS.

(6) TOTAL ASSETS

As at 31 December 2012, the Group's total assets as determined in accordance with the IFRS amounted to approximately RMB87.5 billion, representing an increase of approximately RMB3.5 billion over that of last year.

(7) RESERVES

Changes in the reserves of the Company and the Group for the year ended 31 December 2012 were set out in the consolidated statement of changes in equity and note 39 to the financial statements prepared in accordance with the IFRS.

(8) DEPOSITS, LOANS AND CAPITALIZED INTEREST

Details of the Group's loans as at 31 December 2012 were set out in notes 32, 33 and 34 to the financial statements prepared in accordance with the IFRS. The Group's deposits as at 31 December 2012 were placed with reputable commercial banks. The Group has no entrusted deposits and fixed deposits which cannot be withdrawn upon expiry. During the year, interest capitalized in respect of construction-in-progress amounted to RMB97.70 million, details of which were set out in note 7 to the financial statements prepared in accordance with the IFRS.

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

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

To mitigate foreign exchange risk, with respect to import, the Group (i) would make use of the foreign currency received from export of products and disposal of approved carbon emission to settle the purchase costs directly; and (ii) would make judgment and forecast on the movement trends of Euro exchange rate after taking into account the advice provided by certain professional financial institutions, and adopt different payment arrangements by entering into forward contracts or instant purchase of foreign currency to mitigate the risks arising from the movement of Euro exchange rate. As for export, in connection with the two-way fluctuations in the USD/RMB exchange rate and in accordance with the annual export plan, the Group closely monitored the demand and supply in the international market, and adopted forward settlement contracts to fix the closing exchange rate for part of the US dollars proceeds to be received within one year in advance to mitigate foreign exchange risk, at the same time actively prompted the cross-border or domestic RMB settlement for commodity trade, gradually increasing the share of RMB settlement so as to transfer the exchange rate risk.

(10) PERFORMANCE OF SOCIAL RESPONSIBILITY

The Company has prepared the 2012 Social Responsibility Report, which was published on the websites of the SSE, the Stock Exchange and the Company concurrently with this annual report.

5. Significant Events

(1) MATERIAL LITIGATION, ARBITRATION AND NEGATIVE MEDIA INQUIRY

During the Reporting Period, the Group was not involved in any material litigation, arbitration or negative media inquiry.

(2) APPROPRIATION OF FUNDS FOR NON-OPERATING PURPOSE

During the Reporting Period, there was no appropriation of the Company's funds for non-operating purpose by the controlling shareholder of the Company and its related parties. A detailed explanation issued by KPMG Huazhen Certified Public Accountants was published on the SSE website, the website of the Stock Exchange and the Company's website concurrently with the annual report.

(3) EVENTS REGARDING INSOLVENCY AND RESTRUCTURING

During the Reporting Period, there was no event regarding insolvency or restructuring of the Group.

(4) ACQUISITIONS AND DISPOSALS OF MATERIAL ASSETS

During the Reporting Period, the Group did not acquire or dispose of any material asset.

(5) STOCK OPTION INCENTIVE SCHEME

During the Reporting Period, the Group did not implement any stock option incentive scheme.

(6) MATERIAL CONNECTED (OR RELATED PARTY) TRANSACTIONS

During the Reporting Period, the Group entered into the following significant connected (or related party) 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 paid the above licence fee being an amount of RMB1.513 million 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 aggregate

On 26 March 2012, the Board 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 to 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 an aggregate supply agreement, pursuant to which Chizhou Conch will sell aggregate (namely commercial limestone) to Sanshan Port, with the selling price being RMB18 million and the validity period of one year.

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 majority-owned 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, Sanshan Port is a connected person of the Group. Accordingly, the above transaction constituted a connected transaction under the SSE Listing Rules. In accordance with the HKSE Listing Rules, Sanshan Port is not regarded as a connected person of the Group, thus 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 China National Petroleum Corporation and China Petrochemical Corporation (hereinafter referred to as "independent third parties"), diesel oil is subject to more restrictions in supply and price. The clinker bases of the Company located along the Yangtze River in Anhui province also procured part of diesel oil from Sanshan Port, which will facilitate the expansion of the diesel oil procurement channels of the Company and enhance the bargaining power in price negotiation, 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 that such settlement price shall not be higher than the purchase price offered to the Company by independent third parties. Payment would be settled on a monthly basis.

5. Significant Events

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

During the Reporting Period, the Group procured diesel oil from Sanshan Port for an amount of RMB101,934,600; Chizhou Conch sold 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 Conch Logistic Co., Ltd. (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 majority-owned 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 the 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.

5. Significant Events

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 kilns 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 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. Payment would be settled in respect of each vessel of coals within 30 days after the coals are transferred.

During the Reporting Period, the Group has taken the coal transfer services of Haichang Port for an amount of RMB24,809,100.

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.

5. Significant Events

(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 and 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 RMB142.5 million/year and RMB85.5 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 (who had resigned as general manager of Longshan Cement on 18 October 2012), 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.

The purchase price of clinker was determined, with reference to the market prices, by Longshan Cement with Jiangmen Conch and Foshan Conch respectively after negotiations. Such purchase price shall not be 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 RMB121,680,900, which did not exceed the cap of RMB142.5 million as prescribed under the said cement and clinker sale and purchase contract; and Foshan Conch procured clinker from Longshan Cement for an amount of RMB62,672,500 which did not exceed the cap of RMB85.5 million as prescribed under the said cement and 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, for a purchase price 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 mutually procured between Prosperity Conch and Longshan Cement 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 would 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 RMB13,558,200, which did not exceed such cap as prescribed under the said spare parts and production ancillary materials procurement 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.

2. Residual heat electricity generation projects and ancillary coal power plant equipment

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 had agreed to provide supply and design services for a whole set of equipment for the construction of residual heat electricity generation projects to 10 subsidiaries of the Company including Guiding Conch Panjiang Cement Co., Ltd. The aggregate contract sum amounted to RMB367.5 million. The aforesaid 10 subsidiaries would enter into individual contracts with Conch Kawasaki Engineering, the major terms of which shall be in line with those of the equipment supply and design contract and the aggregate contract sum shall not exceed RMB367.5 million.

5. Significant Events

On 24 October 2012, as approved by the Board, PT Conch and Bazhong Conch (both subsidiaries of the Company) entered into an equipment supply contract and an equipment supply and design contract with Conch Kawasaki Engineering respectively, pursuant to which Conch Kawasaki Engineering had agreed to provide relevant equipments for the ancillary coal power plant project to PT Conch and to provide supply and design services for a whole set of equipment for the construction of residual heat electricity generation project to Bazhong Conch. The aggregate amount of the two contracts amounted to RMB228.95 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 been the supplier of equipment for the residual heat electricity generation projects of the Group since 2007 and has established a solid cooperation foundation with the Group. It also possesses the research and development technology for the relevant steam-power generating equipment, and has extensive experiences in overseas project management, commission and trial run, including construction of cement kiln residual heat electricity generation projects in Thailand, Pakistan, Burma, Turkey, Vietnam and other countries. It has a highly skilled team for instalment, commission and operation management, well-established equipment supply network, and strong bargaining power in price negotiation, which enables it to acquire relevant equipments required for the projects from suppliers at lower cost.

5. Significant Events

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. The prices as stipulated in the equipment supply contract entered into by PT Conch and Conch Kawasaki Engineering was determined through negotiations between the parties, taking into consideration of a number of cost factors such as export declaration fee, storage fee and special requirements regarding export packaging and painting of the goods, and also with reference to the price for construction of similar steam-power plant in Indonesia by PRC enterprises in recent years, provided that such price shall not be higher than that offered by Conch Kawasaki Engineering to other independent customers.

During the Reporting Period, in the context of the performance of the above equipment supply and design contract and equipment supply contract (and only such contracts), the Group had paid the relevant equipment price and design fee totalling RMB129.815 million 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 RMB197,474,700.

For further details, please refer to the Company's announcements dated 15 May and 24 October 2012 and published on the website of the Stock Exchange and the website of the Company respectively, and the Company's announcements dated 16 May and 25 October 2012 and published on the SSE website and Shanghai Securities Journal. Such connected transactions are 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 sales and purchase contract on CK milling equipment, 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 and clinker production lines of seven subsidiaries of the Company including Suzhou Conch. The total contract sum was RMB149 million. The aforesaid seven subsidiaries would enter into individual contracts with Conch Kawasaki Energy Conservation, the major terms of which shall be in line with those of the sales and purchase contract on CK milling equipment and the aggregate contract sum shall not exceed RMB149 million.

On 24 October 2012, as approved by the Board, PT Conch and Bazhong Conch entered into a sales and purchase contract on milling equipment with Conch Kawasaki Energy Conservation respectively, pursuant to which PT Conch agreed to purchase a set of raw material milling equipment and a set of coal milling equipment from Conch Kawasaki Energy Conservation and Bazhong Conch agreed to purchase a set of raw material milling equipment from Conch Kawasaki Energy Conservation, which would be used in the construction of cement and clinker production lines. The aggregate amount of the two contracts amounted to RMB49.25 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 transactions constituted connected transactions of the Company under the SSE Listing Rules. The above transactions did not constitute connected transactions of the Company under the HKSE Listing Rules.

5. Significant Events

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 a wide product market coverage and its products are 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 to the Group 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.

The price stipulated in the aforesaid sales and purchase contract on CK milling equipment was determined through negotiations 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, provided that such price shall not be higher than that offered by Conch Kawasaki Energy Conservation to other independent customers. The prices as stipulated in the sales and purchase contract on milling equipment entered into by PT Conch and Conch Kawasaki Energy Conservation was determined through negotiations between the parties, taking into consideration of a number of cost factors such as export declaration fee, storage fee and special requirements regarding export packaging and painting of the goods, and also with reference to the market price of similar equipment in the domestic market.

During the Reporting Period, for the performance of the above-mentioned sales and purchase contract on CK milling equipment and sales and purchase contract on milling equipment (and only such contracts), the Group had paid the relevant equipment price to Conch Kawasaki Energy Conservation totalling RMB31.50 million. 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 RMB102,314,600.

For further details, please refer to the Company's announcements dated 15 May 2012 and 24 October 2012 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcements dated 16 May and 25 October 2012 and published on the SSE website and Shanghai Securities Journal. Such connected transactions are not subject to the shareholders' approval requirements.

4. Design of cement and clinker engineering projects

On 15 May 2012, as approved by the Board, the Company and Conch Design entered into a design and technical service contract, pursuant to which Conch Design 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. Pursuant to the design and technical service contract, the aforesaid 18 subsidiaries entered into individual contracts with Conch Design and Conch Information Engineering Company in relation to the relevant services to be provided, the major terms of which shall be in line with those of the design and technical service contract and the aggregate contract sum shall not exceed 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.

Conch Design has extensive experience in building materials 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 entered into on normal commercial terms after arm's length negotiations, 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 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, for 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 RMB10.525 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 RMB42,382,500.

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. Such connected transaction is not subject to the independent shareholders' approval requirements.

5. Purchase of industrial plants and their land use 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 Equipment Manufacturing Base No. 4 and 5 of Yijiang District, Wuhu City, Anhui Province and the relevant land use rights owned by Conch Venture were transferred 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 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 through 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).

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.

Confirmation by independent non-executive Directors on connected (or related party) transactions

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

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

(7) MATERIAL CONTRACTS

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

2. **Guarantees**

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

   During the Reporting Period, the guarantees provided by the Company for its majority-owned subsidiaries amounted to RMB2,329.5 million and US$20 million, all being guarantees for collateral liabilities; as at 31 December 2012, the balance of guarantees provided by the Company for its majority-owned subsidiaries amounted to RMB3,216.75 million and US$20 million, in aggregate representing 7.63% of the net assets of the Company.

   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 balance of guarantees provided by the Company for its majority-owned subsidiaries with a gearing ratio of over 70% amounted to RMB319.5 million. 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 31 December 2012, Baimashan Cement Plant and Ningguo Cement Plant (branch companies of the Company) pledged their assets with a book value of approximately RMB567 million to International Finance Corporation as security for their long-term loan in the sum of RMB650 million.

   Guangxi Sihe Industrial Trading Co., Ltd. (a majority-owned subsidiary of the Company) pledged its assets with a book value of RMB83.01 million as security for its borrowings of RMB28 million from a financial institution. As at 31 December 2012, the borrowings were repaid as scheduled and the relevant assets being pledged was released.

Guangxi Lingyun Cement (a majority-owned subsidiary of the Company) pledged its assets with a book value of RMB39.85 million as security for its bank borrowings of RMB83.33 million. As at 31 December 2012, the borrowings were repaid as scheduled and the relevant assets being pledged was released.

Hami Construction Material (a majority-owned subsidiary of the Company) pledged its assets with a book value of RMB86.79 million as security for its bank borrowings of RMB32.5 million. As at 31 December 2012, the borrowings were repaid as scheduled and the relevant assets being pledged was released.

As at 31 December 2012, save for the guarantees and pledges of assets as disclosed above, the Group did not provide any other guarantees or pledges, nor did the Group have any other significant contingent liabilities.

3. Commitments

(1) Commitment by shareholders: In 2007, the Company issued A Shares to Conch Venture as consideration for the purchase of the relevant assets of Conch Venture. Conch Venture has made the following undertakings in relation to the shareholders' rights arrangements in respect of the shares held: Except the rights of a shareholder of a proprietary nature (including but not limited to rights to receive dividends), Conch Venture will forgo its other shareholder's rights of Conch Cement such as rights to vote, nominate and elect Directors/Supervisors of the Company, for so long as it holds the Company's shares. During the Reporting Period, Conch Venture has complied with the above undertakings.

(2) Commitment by the Company: During the Reporting Period, the Company and Wuhu Conch participated in the private placement of Qingsong Building Materials and Chemicals to subscribe for 107,800,000 shares and 30,000,000 shares of Qingsong Building Materials and Chemicals respectively, representing 15.64% and 4.35% of its total shares respectively. According to the Share Subscription Agreement entered into between the Company, Wuhu Conch and Qingsong Building Materials and Chemicals on 12 June 2012, the aforesaid shares held by the Company and Wuhu Conch are subject to a lock-up period of 12 months from the date of subscription. During the Reporting Period, the Company and Wuhu Conch did not transfer any of their shares in Qingsong Building Materials and Chemicals.

(8) AUDITORS AND REMUNERATION

Pursuant to the resolution considered and approved by the annual general meeting for year 2011, the Company engaged KPMG Huazhen Certified Public Accountants (special general partnership) and KPMG Certified Public Accountants (collectively "KPMG") as the PRC auditors and the international auditors of the Company for the year ended 31 December 2012, respectively. The total financial audit and internal control audit services fees payable to KPMG by the Company for the year ended 31 December 2012 amounted to RMB4.85 million. In addition, the Company was required to reimburse KPMG for lodging and travelling expenses incurred for field audit.

KPMG was first appointed as the auditors of the Company for the year ended 31 December 2006 and has provided audit services for the Company for seven consecutive years. In accordance with the Requirements on the Regular Rotation of the Endorsing Accountants for Securities and Futures Auditing Services (《關於證券期貨審計業務簽字註冊會計師定期輪換的規定》) of the CSRC and the Ministry of Finance of the PRC, KPMG has rotated the endorsing accountant.

(9) 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, 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 as these directors (including Mr. Wang) did not ensure that Zhejiang Glass had adequate internal controls in place to ensure compliance with the HKSE Listing Rules by Zhejiang Glass.

For further details, please refer to the Company's announcement dated 3 July 2012 and published on the website of the Stock Exchange and the website of the Company, 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.

6. Changes in Shares and Shareholders

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

(Unit: Share)

	Before change		Increase/decrease(+,-)			After change	
Class of shares	Number	Percentage (%)	Issue of new shares	Transfer from capital reserve	Subtotal	Number	Percentage (%)
(1) Shares subject to trading restrictions	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. State-owned legal person shares	–	–	–	–	–	–	–
2. Other domestic shares	–	–	–	–	–	–	–
(2) Shares not subject to trading restrictions	**5,299,302,579**	**100**	**-**	**-**	**-**	**5,299,302,579**	**100**
1. RMB-denominated ordinary shares (i.e. A Shares)	3,999,702,579	75.48	–	–	–	3,999,702,579	75.48
2. Overseas-listed foreign shares (i.e. H Shares)	1,299,600,000	24.52	–	–	–	1,299,600,000	24.52
(3) Total number of shares	**5,299,302,579**	**100**	**-**	**-**	**-**	**5,299,302,579**	**100**

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

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

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

3. On 30 October 2012, CSRC (by Zheng Jian Xu Ke (證監許可) [2012] No.1401 "Reply on examining and approving public issuance of corporate bonds by Anhui Conch Cement Company Limited") gave approval to the Company for its issue of corporate bonds in an aggregate principal amount of no more than RMB6 billion to the public. As of 9 November 2012, the Company completed all the steps for the issuance of such corporate bonds. The total principal amount of the corporate bonds issued was RMB6 billion, of which the aggregate principal amount of the 5-year bonds with a coupon rate of 4.89% was RMB2.5 billion, while that of the 10-year bonds with a coupon rate of 5.10% amounted to RMB3.5 billion, with the option of increasing coupon rate for the issuer and the sell-back options for the investors to be attached at the end of the seventh year. Net proceeds raised from this issuance, after deduction of related expenses, amounted to RMB5,995.24 million. On 4 December 2012, these corporate bonds of the Company began trading on the SSE. The securities abbreviation for the 5-year bonds is "12 Conch 01" with stock code "122202"; while the securities abbreviation for the 10-year bonds is "12 Conch 02" with stock code "122203".

(3) SUMMARY OF TRADING OF THE COMPANY'S SHARES IN 2012

	A Share/RMB	H Share/HK$
Opening price on the first trading day of the year	15.81	23.55
Closing price on the last trading day of the year	18.45	28.20
Highest trading price during the year	18.76	29.70
Lowest trading price during the year	12.94	19.10

(4) SHAREHOLDERS

1. As at 31 December 2012, the total number of registered shareholders was 109,084, of which 126 were registered holders of H Shares. As at the end of the fifth trading date prior to the date of this report (i.e. 18 March 2013), the total number of registered holders of A Shares was 116,458.

2. As at 31 December 2012, the shareholdings of the top ten registered shareholders of the Company are set out as follows:

	Name of shareholder	Nature of shareholder	Number of shares held at the end of the Reporting Period (share)	Percentage of shareholding (%)	Class of shares
1	Conch Holdings (Note 2)	State-owned legal person	1,918,329,108	36.20	A Share
2	HKSCC Nominees Limited (Note 3)	Foreign legal person	1,297,662,881	24.49	H Share
3	Conch Venture (Note 4)	Domestic non-state-owned legal person	286,713,246	5.41	A Share
4	Ping An Trust – Conch Equity Interest	Domestic non-state-owned legal person	52,259,370	0.99	A Share
5	UBS AG	Others	38,000,361	0.72	A Share
6	MERRILL LYNCH INTERNATIONAL	Others	37,886,092	0.71	A Share
7	Conch Design	State-owned legal person	28,953,736	0.55	A Share
8	Bosera Value Growth Securities Investment Fund	Others	27,269,695	0.51	A Share
9	INTERNATIONAL CAPITAL CORPORATION – HSBC – JPMORGAN CHASE BANK, NATIONAL ASSOCIATION	Others	21,994,629	0.42	A Share
10	China Construction Bank – Bank of Communications Schroder Blue-chip Securities Investment Fund	Others	21,810,600	0.41	A Share

6. Changes in Shares and Shareholders

Notes:

(1) All the above shares are floating shares without trading restrictions.

(2) As at 31 December 2012, a total of 1,918,329,108 A Shares of the Company were held by Conch Holdings, with no change in the number of shares of the Company held by it during the Reporting Period.

(3) HKSCC Nominees Limited held 1,297,662,881 H Shares, representing 24.49% of the total share capital of the Company, and 99.85% of the total number of H Shares issued by the Company, on behalf of its various clients.

(4) As at 31 December 2012, a total of 286,713,246 A Shares of the Company were held by Conch Venture, with no change in the number of shares of the Company held by it during the Reporting Period.

(5) So far as the Board is aware, among the above-mentioned shareholders, Conch Holdings and Conch Venture have connected relationship. Conch Holdings and Conch Design are regarded as parties acting in concert under the Management Methods on Acquisitions by Listed Companies. Save for the aforesaid, the Board is not aware of any connected relationship or acting in concert relationship among the above-mentioned shareholders.

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

6. Changes in Shares and Shareholders

3. As at 31 December 2012, the following persons (other than the Directors or chief executive of the Company) held interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong) (references to Directors or chief executive in this paragraph include Supervisors):

Name of shareholder	Number of shares held	Capacity	Percentage of shareholding of the relevant class of shares
Conch Holdings	1,947,282,844 A Shares (long position) (Note 1)	Beneficial owner	48.69% (Note 2)
Anhui Provincial Investment Group Holdings Co., Ltd.	1,947,282,844 A Shares (long position) (Note 1)	Interest of a controlled corporation	48.69% (Note 2)
Conch Venture	2,249,347,945 A Shares (long position) (Note 1)	Interest of a controlled corporation/ beneficial owner	56.24% (Note 2)
JPMorgan Chase & Co.	190,449,160 H Shares (long position) (Note 4)	Beneficial owner/ investment manager/custodian	14.65% (Note 3)
JPMorgan Chase & Co.	16,130,672 H Shares (short position)	Beneficial owner	1.24% (Note 3)
Taiwan Cement Corporation	116,568,000 H Shares (long position) (Note 5)	Interest of a controlled corporation	8.97% (Note 3)
Genesis Asset Managers, LLP	130,188,638 H Shares (long position) (Note 6)	Investment manager	10.02% (Note 3)
BlackRock,Inc.	112,378,977 H Shares (long position) (Note 7)	Interest of a controlled corporation	8.65% (Note 3)
BlackRock,Inc.	6,902,605 H Shares (short position) (Note 7)	Interest of a controlled corporation	0.53% (Note 3)
Deutsche Bank Aktiengesellschaft	78,691,147 H Shares (long position) (Note 8)	Beneficial owner/ investment manager/ person having a security interest in shares	6.06% (Note 3)
Deutsche Bank Aktiengesellschaft	62,912,597 H Shares (short position) (Note 8)	Investment manager/ person having a security interest in shares	4.84% (Note 3)

6. Changes in Shares and Shareholders

Notes:

(1) 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 and 28,953,736 A Shares were held in the name of Conch Design (a wholly-owned subsidiary of Conch Holdings). The registered capital of Conch Holdings is RMB800 million, of which RMB408 million is attributable to Anhui Provincial Investment Group 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 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).

(2) The total number of domestic shares in issue was 3,999,702,579 shares, all of which were A Shares.

(3) The total number of H Shares in issue was 1,299,600,000 shares.

(4) Based on the disclosure of interests form submitted by JPMorgan Chase & Co. on 27 December 2012 in respect of the relevant event that occurred on 21 December 2012, these shares were held through certain subsidiaries of JPMorgan Chase & Co.. Of the 190,449,160 H Shares (long position), 21,944,212 shares were held in the capacity of beneficial owner; 83,925,999 shares in the capacity of investment manager; and 84,578,949 shares (securities in lending pool) in the capacity of custodian.

(5) Based on the disclosure of interests form submitted by Taiwan Cement Corporation on 12 December 2008 in respect of the relevant event that occurred on 11 December 2008, 38,856,000 H Shares were held by Taiwan Cement Corporation through certain of its subsidiaries. Assuming that the company has not disposed of any shares, upon implementation of the proposal of capitalization of capital reserve fund by the Company in 2010 and 2011, Taiwan Cement Corporation held 116,568,000 H Shares accordingly.

(6) Based on the disclosure of interests form submitted by Genesis Asset Managers, LLP on 5 July 2012 in respect of the relevant event that occurred on 3 July 2012, 130,188,638 H Shares were held by Genesis Asset Managers, LLP.

(7) Based on the disclosure of interests form submitted by BlackRock, Inc. on 26 December 2012 in respect of the relevant event that occurred on 21 December 2012, these shares were held through certain subsidiaries of BlackRock, Inc..

(8) Based on the disclosure of interests form submitted by Deutsche Bank Aktiengesellschaft on 4 January 2013 in respect of the relevant event that occurred on 27 December 2012, these shares were held through certain subsidiaries of Deutsche Bank Aktiengesellschaft. Of the 78,691,147 H Shares (long position), 23,175,363 shares were held in the capacity of beneficial owner; 6,176,500 shares in the capacity of investment manager; 47,600,957 shares in the capacity of a person having a security interest in shares and 1,738,327 shares (securities in lending pool) in the capacity of custodian. Of the 62,912,597 H Shares (short position), 16,569,047 shares were held in the capacity of beneficial owner and 46,343,550 shares in the capacity of a person having a security interest in shares.

Save for the aforesaid shareholders, as at 31 December 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. Information on the controlling shareholder of the Company

Name in English : Anhui Conch Holdings Co., Ltd.

Legal representative : Guo Wensan

Date of establishment : 8 November 1996

Registered capital : RMB800 million

Principal business activities : Asset operation, investment, financing, property transactions, construction materials, chemical and industrial products, transportation, warehousing, construction project, development of technological products, technical support services, imports and exports trading, etc.

During the Reporting Period, Conch Holdings, the controlling shareholder of the Company, recorded profit before taxation of RMB8.352 billion. The total assets as at the end of the Reporting Period amounted to RMB96.932 billion with the gearing ratio of 46.33%. The figures disclosed above are unaudited. The future development strategies of Conch Holdings include international strategy, merger & acquisition and restructuring strategy, technology innovation strategy and the talent introduction strategy. While focusing on cement and chemical building materials industries, the business scope of Conch Holdings extended to the upstream and downstream industry chain of its core businesses. Conch Holdings continued to facilitate structural optimization and made strenuous efforts to develop energy-saving and environment-friendly industries. During the Reporting Period, there was no change in the controlling shareholder of the Company. As at the end of the Reporting Period, Conch Holdings was also the controlling shareholder of Conch Profiles (a company listed on the Shenzhen Stock Exchange) with an equity shareholding of 32.07%.

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

Anhui Provincial Investment Group is a state-owned company solely owned by the State-owned Assets Supervision and Administration Commission of Anhui Province ("Anhui SASAC"), and accordingly, Anhui SASAC is the de facto controller of the Company. As at 31 December 2012, the shareholding relationship structure between the Company and Conch Holdings, Anhui Provincial Investment Group and Anhui SASAC is set out as follows:

6. Changes in Shares and Shareholders

State-owned Assets Supervision and Administration Commission of Anhui Province

↓ 100%

Anhui Provincial Investment Group Holdings Co., Ltd.

↓ 51%

Anhui Conch Holdings Company Limited

↓ 36.20%

Anhui Conch Cement Company Limited

6. Public float

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

(5) PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2012, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities of the Company.

(6) PRE-EMPTIVE RIGHTS

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

(7) TRANSACTIONS IN RESPECT OF ITS OWN SECURITIES

Up to 31 December 2012, the Group had neither issued nor granted any convertible securities, options, warrants or other similar rights. As at 31 December 2012, the Group had no redeemable securities.

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

For the year ended 31 December 2012, holders of the Company's listed securities were not entitled to any tax relief and exemptions by virtue of their holdings of such securities under their legal status of the PRC.

7. Directors, Supervisors, Senior Management and Staff

(1) BASIC INFORMATION OF EXISTING AND RESIGNING DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Name	Position	Sex	Date of birth	Tenure
Guo Wensan	Chairman and executive Director	Male	September 1955	3 June 2010 to 2 June 2013
Kang Woon	Independent non-executive Director	Male	March 1963	3 June 2010 to 2 June 2013
Ding Meicai	Independent non-executive Director	Male	November 1942	3 June 2010 to 2 June 2013
Chan Yuk Tong	Independent non-executive Director	Male	June 1962	3 June 2010 to 31 May 2012
Wong Kun Kau	Independent non-executive Director	Male	November 1960	31 May 2012 to 2 June 2013
Guo Jingbin	Executive Director	Male	January 1958	3 June 2010 to 2 June 2013
Ji Qinying	Executive Director and general manager	Male	June 1956	3 June 2010 to 2 June 2013
Zhang Mingjing	Executive Director and deputy general manager	Female	September 1962	31 May 2011 to 2 June 2013
Wu Jianping	Executive Director	Male	March 1966	3 June 2010 to 2 June 2013
Wang Jun	Chairman of Supervisory Committee	Male	February 1957	3 June 2010 to 2 June 2013
Wang Yanmou	Supervisor	Male	December 1932	3 June 2010 to 2 June 2013
Ding Feng	Staff representative supervisor	Male	December 1972	3 June 2010 to 2 June 2013
Wang Pengfei	Deputy general manager	Male	August 1962	–
He Chengfa	Deputy general manager	Male	January 1966	–
Wu Bin	Assistant to general manager	Male	January 1965	–
Li Leyi	Chief engineer of technical art	Male	December 1962	–
Ke Qiubi	Assistant to general manager	Male	September 1963	–
Zhou Bo	Deputy chief accountant	Male	January 1976	–
Yang Kaifa	Secretary to the Board	Male	February 1974	–
Chiu Pak Yue, Leo	Company secretary (Hong Kong)	Male	January 1963	–

7. Directors, Supervisors, Senior Management and Staff

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

Save as disclosed above, none of the Directors, Supervisors and senior management members of the Company held or traded any securities of the Company during the Reporting Period.

Back row from left: Mr. **Li Leyi,** Mr. **He Chengfa,** Mr. **Wang Jianchao,** Mr. **Wang Pengfei,** Mr. **Wu Bin,** Mr. **Ke Qiubi,** Mr. **Zhou Bo,** Mr. **Yang Kaifa**

Front row from left: Mr. **Guo Jingbin,** Mr. **Ji Qinying,** Mr. **Wang Yanmou,** Mr. **Guo Wensan,** Mr. **Ding Meicai,** Mr. **Kang Woon,** Ms. **Zhang Mingjing,** Mr. **Wong Kun Kau**

7. Directors, Supervisors, Senior Management and Staff

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

Name	Position held in Conch Holdings and tenure	Any remuneration and allowances received from Conch Holdings	Position held in other companies and tenure	Any remuneration and allowances received from those companies
Guo Wensan	Chairman (from January 1997 to present) General manager (from January 1997 to April 2010)	Yes	Chairman of Conch Venture (from May 2011 to present)	No
Guo Jingbin	Director and deputy general manager (from January 1997 to present)	No	(1) Director of Wuhu Conch Hotel (from November 2005 to present) (2) Director of Conch Venture (from May 2011 to present)	No
Ji Qinying	Deputy general manager (from September 2000 to April 2010) Executive deputy general manager (from April 2010 to present)	No	(1) General manager/vice chairman of Conch Profiles (from June 2003 to April 2008) (2) Chairman of Conch Profiles (from May 2008 to November 2009) (3) Director of Conch Venture (from November 2002 to present) (4) Chairman of Conch Kawasaki Energy Conservation (from November 2006 to December 2011)	No
Wu Jianping	–	–	(1) General manager of Longshan Cement (from May 2004 to October 2012) (2) Director of Longshan Cement (from May 2004 to present)	Yes

7. Directors, Supervisors, Senior Management and Staff

Name	Position held in Conch Holdings and tenure	Any remuneration and allowances received from Conch Holdings	Position held in other companies and tenure	Any remuneration and allowances received from those companies
Wang Jun	Secretary General of Disciplinary Committee (from January 1997 to present) Deputy Party Secretary (from July 2002 to present)	Yes	(1) Director of Shanghai Conch International Investment and Development Co., Ltd. (from December 2005 to present) (2) Chairman of Haichang Port (from September 2006 to February 2011) (3) Chairman of Sanshan Port (from September 2006 to present) (4) Chairman of Conch Venture (from August 2006 to May 2011) (5) Chairman of Anhui Chaodong Cement Holdings Co., Ltd. (from May 2007 to present) (6) Director of Wuhu Conch Hotel (from November 2005 to present) (7) Chairman of supervisory committee of Conch Profiles (from November 2009 to present) (8) Chairman of supervisory committee of Conch Venture (from May 2011 to present)	No
Ding Feng	Deputy chief accountant (from April 2010 to May 2012) Assistant to general manager (from May 2012 to present)	No	–	–

7. Directors, Supervisors, Senior Management and Staff

Name	Position held in Conch Holdings and tenure	Any remuneration and allowances received from Conch Holdings	Position held in other companies and tenure	Any remuneration and allowances received from those companies
Wang Pengfei	Assistant to general manager (from April 2010 to present)	No	(1) Chairman of Wuhu Conch Venture Property Co., Ltd. (from April 2011 to present) (2) Chairman of Conch Property (from July 2011 to present)	No
He Chengfa	Assistant to general manager (from April 2010 to present)	No	(1) Chairman of Conch Kawasaki Engineering (from December 2006 to present) (2) Chairman of Conch Kawasaki Energy Conservation (from December 2011 to present)	No

Back row from left: Mr. **Ding Feng,** Mr. **Wang Jun,** Mr. **Wong Kun Kau,** Mr. **Ji Qinying,** Mr. **Guo Jingbin,** Ms. **Zhang Mingjing**
Front row from left: Mr. **Kang Woon,** Mr. **Wang Yanmou,** Mr. **Ding Meicai,** Mr. **Guo Wensan**

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Guo Wensan, Chairman and executive Director of the Company, senior engineer. Chairman Guo graduated from Shanghai Tongji University. He joined the Group in 1980 and has more than 30 years of experience in corporate management and is an experienced cement manufacturing technology expert in the PRC. Chairman Guo has received the second prize for the "National Science and Technology Progress Award" (國家科學技術進步獎二等獎) from the State Council of the PRC for key new dry-processed cement production technology and equipment development and engineering application project. He has received honours such as the "First of May" ("五一") Labour Medal and the national construction materials exemplary award. He received the "Gold Award for Contributions ("貢獻獎"金質獎章) from the People's Government of Anhui Province. Chairman Guo was a representative of the 16th Congress of the Communist Party of China and the 11th National People's Congress of China. He is currently a representative of the 12th National People's Congress of China and the vice president of China Building Materials Federation.

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

7. Directors, Supervisors, Senior Management and Staff

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

Ms. Zhang Mingjing, an executive Director, deputy general manager of the Company and senior economist. Ms. Zhang graduated from Anhui Normal University and joined the Group in 1987. She held positions such as head of external economic co-operation department and deputy head of development department of the former Ningguo Cement Plant, and officer in-charge of the secretariat to the Board and secretary to the Board of the Company. She has extensive experience in capital operation, standard management of listed companies and establishment of internal control system. She is currently the officer-in-charge of the Regional Committee in Shanghai, and the chairman of each of Shanghai Conch Mingzhu Cement Co., Ltd., Taicang Conch Cement Co., Ltd., Shanghai Conch Cement Sales Co., Ltd. and Indonesia Conch Cement Co., Ltd. (印尼海螺水泥有限公司).

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

INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

Mr. Wong Kun Kau, an independent non-executive Director of the Company. Mr. Wong received a bachelor's degree in social science from the University of Hong Kong. Mr. Wong was previously the Head of Investment Banking (Asia) for BNP Paribas Capital (Asia Pacific) Limited. He has approximately 30 years of experience in fund management, securities brokerage and corporate financing. He is the founder and currently the managing partner of Bull Capital Partners (Hong Kong) Ltd (a direct investment fund management company). Mr. Wong is an independent non-executive director of West China Cement Limited (a company listed on the HK Stock Exchange since August 2010), and he is a non-executive director of Sun King Power Electronics Group Limited (a company listed on the HK Stock Exchange since October 2010).

SUPERVISORS

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

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

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

SENIOR MANAGEMENT

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

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

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

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

Mr. Ke Qiubi, assistant to general manager of the Company, senior engineer. Mr. Ke graduated from Wuhan Industrial University. He joined the Group in 1986. He had held various leading positions including the deputy head of the mining sub-plant of the former Ningguo Cement Plant, executive deputy general manager of Chizhou Conch, deputy general manager of Zongyang Conch, director of Sichuan-Chongqing Regional Management Committee and head of the mineral resources management department of the Company. He has rich experience in artistic and technology innovation and corporate management. Mr. Ke is now also the office director of Indonesia Project.

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

SECRETARY TO THE BOARD (COMPANY SECRETARY)

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

Mr. Chiu Pak Yue, Leo, the company secretary (Hong Kong) of the Company, is a Hong Kong practising solicitor. He graduated from The University of Hong Kong. He is a partner of Chiu & Partners, Solicitors. Mr. Chiu has handled a variety of financial and commercial legal matters in Hong Kong and for multinational companies, including listing, merger and acquisitions, share issue privatisation and corporate restructuring.

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

As the term of office of Mr. Chan Yuk Tong being the Company's independent non-executive Director expired on 2 June 2012, he retired as an 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 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).

To facilitate the management of the Company, Mr. Ke Qiubi and Mr. Li Leyi were appointed as assistant to the general manager of the Company and chief engineer of technical art of the Company respectively 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).

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

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

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

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

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

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

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

1. Decision-making process and basis for determining remuneration

The remuneration and nomination committee of the Board is responsible for determining the remuneration policy and the remuneration proposals of executive Directors and senior management with reference to its written terms of reference. The remuneration of executive Directors and internal Supervisors of the Company was determined and paid in accordance with the accomplishment of annual targets and works assigned and the operating performance of the Company. For details of the remuneration of senior management, please refer to the paragraph headed "(5) Establishment and Implementation of an Appraisal and Incentive Mechanism for Senior Management" in "Corporate Governance" in chapter eight of the report.

2. Remuneration received by Directors, Supervisors and senior management from the Company and corporate shareholders for the year

(Unit: RMB)

Name	Position	Remuneration received from the Company	Remuneration received from corporate shareholders
Guo Wensan	Chairman and executive Director	–	809,202
Guo Jingbin	Executive Director	–	555,030
Ji Qinying (Note 2)	Executive Director and general manager	758,921	–
Zhang Mingjing	Executive Director and deputy general manager	869,911	–
Wu Jianping	Executive Director	26,899	–
Wang Jun	Chairman of Supervisory Committee	–	549,183
Ding Feng	Staff representative supervisor	620,498	–
Wang Pengfei	Deputy general manager	1,015,382	–
He Chengfa	Deputy general manager	985,543	–
Wu Bin	Assistant to general manager	801,116	–
Li Leyi	Chief engineer of technical art	731,965	–
Ke Qiubi	Assistant to general manager	641,645	–
Zhou Bo	Deputy chief accountant	760,526	–
Yang Kaifa	Secretary to the Board	532,379	–
	Total	7,744,785	1,913,415

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

2. The annual remuneration of Mr. Guo Wensan, Mr. Guo Jingbin, Mr. Wang Jun and Mr. Ji Qinying were reviewed and approved by Anhui SASAC in accordance with the document WGKH[2011]225 and the fulfillment by Conch Holdings of its business targets. The remuneration of Mr. Ji Qinying was paid by the Company.

3. **During the Reporting Period, Mr. Kang Woon and Mr.Wong Kun Kau, independent non-executive Directors, and Mr. Wang Yanmou, external Supervisor, did not receive any remuneration from the Company, and will not request the Company for payment of remuneration for the Reporting Period. The relevant business related allowances (after deducting tax) paid by the Company to them for the Reporting Period are set out as follows:**

(Unit: RMB)

Name	Position	Allowances
Kang Woon	Independent non-executive Director	100,000
Wong Kun Kau	Independent non-executive Director	100,000
Wang Yanmou	Supervisor	100,000
Total		300,000

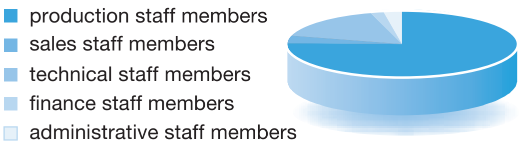
Note: During the Reporting Period, Mr. Ding Meicai, an independent non-executive Director of the Company, did not receive any remuneration and allowances from the Company and will not request the Company for payment of remuneration and allowances for the Reporting Period. The office and business trip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

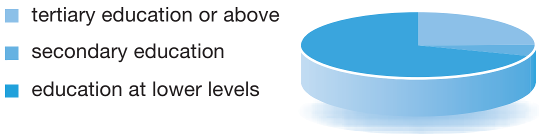
(6) HIGHEST PAID INDIVIDUALS

During the Reporting Period, all of the five highest paid individuals of the Group are senior management of the Company. For details of their remuneration, please refer to the above section headed "(5) Remuneration of Directors, Supervisors and Senior Management for the Year" and note 10 to the financial statements prepared in accordance with the IFRS in this report.

(7) EMPLOYEES

As at 31 December 2012, there were 43,875 staff members under the employment of the Group, of which 33,050 were production staff members, 1,538 were sales staff members, 7,272 were technical staff members, 813 were finance staff members, 1,202 were administrative and management staff members. 13,163 of them had secondary and higher education, of which 10,825 received tertiary education or above. The professional structure and education background of the employees are set out below:





During the Reporting Period, the Group implemented an annual remuneration system for its middle and senior management which was assessed based on the production and sales volume, costs and profitability of the Company, while position salary and seniority salary were adopted for its professional technical staff and average staff which were assessed based on their positions and performance of their duties and responsibilities.

During the Reporting Period, the Group improved its training management systems at its head office, regional entities and subsidiaries and provided various training programmes targeted for staff at different levels, including senior management, middle management, section chiefs, chiefs of workshop and site operators, with an aim to enhancing the management capability of the leaders and strengthening the professional skills and safety awareness of the staff. Meanwhile, the Group proactively facilitated the build-up of a talent team by enhancing the introduction and training of talents so as to secure adequate reserve of high-calibre personnel for the implementation of the Company's "12th Five Year" Development Plan.

The Company had no responsibility for the payment to the resigned and retired employees.

(8) PENSION INSURANCE

Details of the pension insurance are set out in Note 7(b) to the financial statements prepared in accordance with the IFRS. Pension recorded in the income statement of the Group for the year ended 31 December 2012 amounted to RMB281.52 million.

(9) STAFF HOUSING

Under the relevant regulations of the PRC government, contributions based on a certain percentage of the employees' salaries shall be made by the Group to the housing welfare fund. Save for the above, the Group has no other liabilities. For the year ended 31 December 2012, the total housing welfare fund paid by the Group amounted to approximately RMB134.31 million.

8. Corporate Governance

(1) CORPORATE GOVERNANCE

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

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

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

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

8. Corporate Governance

During the Reporting Period, in order to further improve its corporate governance and satisfy the requirement of management, the Company established a series of systems such as the Working Regulations for Regional Management Committee, Administrative Measures for Internal Audit, Measures on Management of Connected Transactions, Tentative Administrative Procedures for Securities Investments and Administrative Measures on Provision of Guarantees, and also modified its Written Terms of Reference of the Remuneration and Nomination Committee of the Board of Directors. The establishment and modification of the aforesaid systems are in line with the Company Law and the relevant regulations of the CSRC and the Stock Exchange.

The Company established the Administrative Measures on the Use of Information by Insiders and External Users in 2010. During the Reporting Period, the Company reinforced its control on the use of information by insiders and external users and was in strict compliance with the requirements of the above measures by keeping the price-sensitive information confidential and ensuring information disclosure in a fair manner. After internal review and examination, the insiders did not make use of any confidential information to deal with shares of the Company before the disclosure of material price-sensitive information that would affect the share price of the Company. No inspection or punishment was conducted or imposed by the regulatory authorities in such regard.

(2) PROCEEDINGS OF THE GENERAL MEETING AND SUPERVISORY COMMITTEE

During the Reporting Period, the Company held two general meetings, i.e. annual general meeting for the year 2011 and the first extraordinary general meeting for the year 2012, details of which were set out as follows:

On 31 May 2012, the annual general meeting of Company for the year 2011 was held in the conference room of the Company. Resolutions passed at the general meeting were published in Shanghai Securities Journal on 1 June 2012.

On 21 August 2012, the first extraordinary general meeting of the Company for the year 2012 was held in the conference room of the Company. Resolutions passed at the general meeting were published in Shanghai Securities Journal on 22 August 2012.

The Supervisors of the Company monitored the performance of duties of the Directors and senior management and the legal compliance regarding the Company's operation, and did not raise any objection in respect of the foregoing during the Reporting Period.

(3) PERFORMANCE OF DUTIES BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the independent non-executive Directors have, in accordance with the requirements of the Articles, the Working Regulations for Independent Directors, the Written Terms of Reference of the Remuneration and Nomination Committee and the Written Terms of Reference of the Audit Committee, diligently performed their duties in line with the principles of integrity and diligence. They attended in person the Board meetings and general meetings convened in 2012, held various specialized committee meetings, attended on a timely basis to the reporting by the Company's management on production and operations and significant events for 2012, conducted on-site visit to the Company's production sites, participated in the major decisions made by the Company, and exercised their professional expertise to provide reasonable advice and recommendations about the operations and development of the Company from a professional point of view, hence lawfully safeguarding the interests of the minority shareholders.

During the Reporting Period, the independent non-executive Directors have reviewed the external guarantees and connected transactions for the year ended 31 December 2012, and expressed their independent views on the above matters.

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

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

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

(5) CORPORATE GOVERNANCE

1. Code on Corporate Governance Practices / Corporate Governance Code and Corporate Governance Report

During the Reporting Period, the Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (for the period from 1 January 2012 to 31 March 2012) and in the Corporate Governance Code and the Corporate Governance Report (for the period from 1 April 2012 to 31 December 2012) in Appendix 14 to the HKSE Listing Rules ("Code").

2. Securities transactions by Directors

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

3. The Board

Composition of the Board is as follows:

Name	Position
Guo Wensan	Chairman and executive Director
Kang Woon	Independent non-executive Director
Ding Meicai	Independent non-executive Director
Wong Kun Kau	Independent non-executive Director
Guo Jingbin	Executive Director
Ji Qinying	Executive Director and general manager
Zhang Mingjing	Executive Director and deputy general manager
Wu Jianping	Executive Director

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

During the Reporting Period, four meetings of the Board were held. In addition, voting on resolutions were conducted by means of telecommunication and written resolutions, with a total of 37 resolutions passed during the Reporting Period. The attendance and voting rates of the Directors are set out as follows:

Name	Attendance rate of physical meeting	Voting rate of resolutions
Guo Wensan (Note 1)	100%	100%
Kang Woon (Note 2)	100%	100%
Ding Meicai	100%	100%
Wong Kun Kau	100%	100%
Guo Jingbin	100%	100%
Ji Qinying	100%	100%
Zhang Mingjing	100%	100%
Wu Jianping	100%	100%

Note 1: Mr. Guo Wensan, the Chairman of the Company, was unable to attend the fifth meeting of the fifth session of the Board in person due to his other business engagement. Mr. Guo Jingbin, an executive Director of the Company, was appointed and authorized by Mr. Guo Wensan to attend the said meeting and exercise the voting rights on his behalf.

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

During the Reporting Period, the Board performed its duties and exercised its powers pursuant to Chapters 11 and 11A of the Articles, and the management performed its duties and exercised its powers pursuant to Chapter 13 of the Articles. In addition, the Board also performed the functions set out in the Code D3.1. The Board would meet to develop, review and monitor the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, policies and practices on compliance with legal and regulatory requirements as well as compliance of the Model Code and compliance manual by the employees and Directors. Please refer to chapter 4 "Report of the Directors" of the annual report for details of the work performed by the Board, and chapter 3 "Management Discussion and Analysis" of the annual report for details of the work performed by the management.

Directors shall participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution into the Board remains informed and relevant.

The Directors are committed to comply with the Code A6.5 which came into effect on 1 April 2012 on Directors' training. All Directors had participated in continuous professional development and provided to the Company a record of training they received for the financial year ended 31 December 2012.

4. Chairman and Chief Executive Officer

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

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

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

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

For the tenure of the existing non-executive Directors of the Company, please refer to the paragraph headed "1. Basic Information of Existing Directors, Supervisors and Senior Management" of chapter 7 "Directors, Supervisors, Senior Management and Staff" in this report.

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

6. Remuneration and Nomination Committee of the Board

Pursuant to the HKSE Listing Rules, the Company has established the remuneration and nomination committee under the Board, which is principally responsible for formulating the remuneration policy for the Directors and senior management of the Company, determining the remuneration package for each of the Directors and senior management as well as the succession plan of the Directors. The remuneration and nomination committee is a non-standing committee under the Board, which is accountable to the Board.

The remuneration and nomination committee regularly reviews the structure, number of members and composition of the Board and makes recommendations to the Board on any proposed changes or on an "as needed" basis. Candidates of Directors are identified and recommended based on their working experience, professional expertise and commitment.

For details of the remuneration policy of the Directors and Supervisors, please refer to the above sub-paragraph headed "1. Decision-making process and basis for determining remuneration" in paragraph (5) of chapter seven "Directors, Supervisors, Senior Management and Staff" in this report.

During the Reporting Period, the remuneration and nomination committee of the Board held one meeting. All committee members attended the meeting which was held on 19 March 2012, with the following resolutions considered and approved: (i) remuneration of the senior management of the Company for year 2011 and the remuneration appraisal targets of the senior management of the Company for year 2012; (ii) the revised Written Terms of Reference of the Remuneration and Nomination Committee of the Board of Directors which was submitted to the Board for consideration and approval; (iii) the resolution regarding the nomination of Mr. Wong Kun Kau as the candidate for independent non-executive Director of the fifth session Board which was submitted to the Board for consideration and approval and reviewed the structure, number and composition of the Board; (iv) the resolution regarding the proposed appointment of Mr. Li Leyi as the Company's chief engineer of Technical Art and the appointment of Mr. Ke Qiubi as the assistant to the general manager of the Company which was submitted to the Board for consideration and approval.

The remuneration and nomination committee reviewed the remunerations in respect of the Directors, Supervisors and members of senior management of the Company for year 2012 and considered that their respective remunerations were in line with the relevant requirements of the remuneration policy of the Company and were consistent with the annual performance appraisal results.

The Remuneration and Nomination Committee of the fifth session of the Board comprised of five members, namely Mr. Kang Woon, Mr. Ding Meicai, Mr. Wong Kun Kau, Mr. Guo Jingbin and Ms. Zhang Mingjing, with Mr. Kang Woon acted as the chairman.

7. Audit Committee of the Board

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

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

The audit committee of the fifth session of the Board comprised Mr. Kang Woon, Mr. Ding Meicai and Mr. Wong Kun Kau, with Mr. Kang Woon acting as the chairman.

During the Reporting Period, the audit committee held four meetings, which were attended by all of the committee members in person. Matters discussed during each meeting were as follows:

8. Corporate Governance

(1) On 19 January 2012, the audit committee held telephone conference with the auditors of the Company, KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants (collectively referred to as "KPMG"), to discuss and determine the time table for the audit of the annual report for the year 2011. The audit committee reviewed the financial statements prepared by the Company for the year 2011 and agreed to allow the auditors to conduct field audit in the Company for the year 2011.

(2) On 28 February 2012, upon issue of the preliminary auditors' report by the auditors, the Audit Committee, after further reviewing the 2011 financial statements by way of telephone conference, considered that the auditors had completed the audit conscientiously within the scheduled time frame.

(3) On 19 March 2012, the audit committee held a meeting which considered and passed the following resolutions: (i) the financial statements for the year ended 31 December 2011 prepared in accordance with the PRC Accounting Standards and IFRS respectively; (ii) the connected transactions which took place in 2011; (iii) the annual report and its summary for the year 2011; (iv) the report of internal control for the year 2011; (v) the internal audit report for the year 2011; (vi) the resolution regarding the provision of guarantee for bank loans granted to subsidiaries; and (vii) the resolution regarding the recommendation to the Board to re-appoint KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants as the PRC auditors and the international auditors of the Company, respectively.

(4) On 19 March 2012, the audit committee issued a summary report in respect of the audit work for the Company for the year 2011 performed by KPMG and made objective assessment on the work conducted by KPMG: during the process of conducting the audit work for the Company for the year 2011, KPMG was able to adhere strictly to the China Auditing Standards for Certified Public Accountants and Hong Kong Standards on Auditing and other regulations in performing its audit work and was able to perform its audit functions well. Accordingly, it recommended the Board to re-appoint KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants as the PRC auditors and the international auditors of the Company, respectively.

(5) On 9 August 2012, the audit committee held a meeting which considered and approved the following resolutions: (i) the unaudited interim (half-yearly) financial report for the year 2012 prepared in accordance with the IFRS and PRC Accounting Standards respectively; (ii) the half-yearly report for the year 2012 and its summary and the half-yearly results announcement.

Since the commencement of the audit work in relation to the preparation of the financial statements of the Company for the year ended 31 December 2012, the audit committee has been participating in the whole process:

(1) Prior to the commencement of audit work by the auditors, the audit committee first reviewed the 2012 financial statements prepared by the Company and agreed to allow the auditors to conduct field audit. In the course of conducting audit of annual report, the audit committee requested KPMG to diligently complete the audit work on the financial statements according to the work plans.

(2) Following the issuance of preliminary auditors' report by the auditors, the audit committee reviewed again the 2012 financial statements and considered that the auditors had completed the audit work conscientiously within the scheduled time frame.

(3) On 19 March 2013, the audit committee issued a summary report in respect of the audit work for the Company for the year 2012 performed by KPMG and made objective assessment on the work conducted by KPMG: during the process of conducting the audit work for the Company for the year 2012, KPMG was able to adhere strictly to the China Auditing Standards for Certified Public Accountants and Hong Kong Standards on Auditing and other regulations in performing its audit and was able to perform its audit functions well. Accordingly, it recommended the Board to re-appoint KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants as the PRC auditors and the international auditors of the Company respectively.

8. Auditors' Remuneration

Please refer to "(8) Auditors and remuneration" in chapter 5 "Significant Events" in this report for the remuneration of auditors appointed by the Company in 2012.

9. Directors' Responsibility for the Financial Statements

The financial report and results announcement of the Company for year 2012 have been reviewed by the audit committee of the Company. All the Directors of the Company agree and acknowledge their individual and joint responsibility for preparing the accounts as contained in the financial report for the year under review. The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for the year ended 31 December 2012, applicable accounting policies have been adopted and applied consistently.

10. Internal Control

Please refer to chapter 9 "Internal Control" in this report for the information on internal control which are required to be disclosed.

11. Shareholders' Rights

Article 63 of the Articles provides that general meetings shall be convened by the Board whereas holders of 10 per cent. or more of the issued shares of the Company carrying voting rights may in writing request the Board to convene an extraordinary general meeting of the Company. Independent Directors and Supervisors are also entitled to propose to the Board for convening an extraordinary general meeting of the Company.

Article 65 of the Articles provides that when the Company convenes any annual general meeting, a shareholder or shareholders (whether singly or together) holding in aggregate 3% or more of the total number of issued shares of the Company carrying voting rights is or are entitled to propose motions to the Company, and any such motion shall fall within the scope of authority of the shareholders in general meeting, has clear subject and specific matters to be resolved, and is in compliance with the provisions of laws, administrative regulations and the Articles of the Company, provided that such motion shall be delivered to the Company within 30 days after the issue of the notice of the said meeting. The convener shall within two business days after the receipt of such motion issue supplementary notice to announce the contents of such ad hoc motion. Any motion which is not set out in a notice of general meeting or which does not meet the requirement of this Article shall not be voted on nor resolved by shareholders in general meeting.

In respect of the proposing of a person for election as a director, please refer to the "Procedures for shareholders to propose a person for election as a director of the Company" available on the website of the Company.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's place of business in Wuhu City, Anhui Province.

12. Investor Relations and Communication with Shareholders

During the Reporting Period, the Company put great effort in investor relationship management, and proactively created various channels to establish communication with the investors by means such as convening general meetings, annual results presentation, site survey for investors and teleconference, so as to ensure the investors of the Company will enjoy equal access rights to information of the Company as the shareholders.

In addition, our Company's website which contains corporate information, annual reports, interim reports, quarterly reports and relevant ad hoc announcements and circulars issued by the Company enables the Company's shareholders and investors to obtain the latest information of the Company.

9. Internal Control

(1) STATEMENT OF THE BOARD OF THE COMPANY

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

(2) BASIS OF THE ESTABLISHMENT OF INTERNAL CONTROL FOR FINANCIAL REPORTS AND INFORMATION ABOUT THE DEVELOPMENT OF INTERNAL CONTROL SYSTEM

The Company strictly enforces the laws and regulations such as the China Accounting Standards for Business Enterprises, Basic Regulations on Enterprise Internal Control and Implementation Guidelines for Enterprise Internal Control. Through risk identification and internal control benchmarking, it perfects a sound accounting audit system, strengthens the enforcement of accounting policies, improves the processes of various businesses management to ensure the financial reports are legal and compliant, true and complete, and effective and useful.

During the Reporting Period, the Company formulated a number of management systems including the Tentative Provisions on the Administration of Internal Fund Allocation, the Tentative Administrative Measures for Securities Investments and the Administrative Measures Regulating Guarantee Business in order to ensure that the process risks of relevant businesses are under control and the internal control is effective.

(3) THE SELF-ASSESSMENT REPORT OF INTERNAL CONTROL OF THE COMPANY

The Assessment Report of Internal Control of the Company for the Year 2012 was reviewed and approved by the Board and was published on the websites of SSE, the Stock Exchange and the Company respectively together with the annual report for the year. As to the effectiveness of the Company's internal control, it concluded that: in accordance with the requirements of Basic Regulations on Enterprise Internal Control and other relevant laws and regulations, the Company carried out self-assessment on the effectiveness of the design and performance of its internal control as at 31 December 2012. During the Reporting Period, the Company had set up internal control over businesses and matters included in the evaluation scope, which had been implemented effectively and reached the internal control goals of the Company, without any material or significant deficiencies.

(4) AUDIT REPORT ON INTERNAL CONTROL

KPMG Huazhen Certified Public Accountants was engaged to review the effectiveness of the internal control over the financial reports of the Group as at 31 December 2012, and had issued a standard unqualified audit report. The Audit Report on Internal Control was published on the websites of SSE, the Stock Exchange and the Company respectively together the annual report for the year.

(5) ESTABLISHMENT AND ENFORCEMENT OF ACCOUNTABILITY SYSTEM FOR MATERIAL ERRORS IN ANNUAL REPORT INFORMATION DISCLOSURE

The Company has formulated the Measures on the Accountability for Material Errors in Annual Report Information Disclosure in 2010 in order to improve the level of regulated operation, strengthen the truthfulness, accuracy, completeness and timeliness of information disclosure and enhance the quality and transparency of the annual report information disclosure.

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

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

We have audited the consolidated financial statements of Anhui Conch Cement Company Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 117 to 270, which comprise the consolidated and company statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

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

22 March 2013

Consolidated income statement for the year ended 31 December 2012

(Expressed in Renminbi Yuan)

	Note	2012 RMB'000	2011 RMB'000 (Restated)
Turnover	5	**45,766,203**	48,653,809
Cost of sales and services rendered		**(33,264,544)**	(29,477,073)
Gross profit		**12,501,659**	19,176,736
Other revenue	6	**1,173,193**	877,034
Other net income	6	**68,369**	150,802
Selling and marketing costs		**(2,279,766)**	(1,859,205)
Administrative expenses		**(2,178,352)**	(1,798,518)
Profit from operations		**9,285,103**	16,546,849
Finance costs	7(a)	**(1,136,577)**	(874,630)
Share of (losses)/profits of associates		**(5,215)**	864
Share of (losses)/profits of jointly controlled entity	20	**(17,614)**	26,209
Profit before taxation	7	**8,125,697**	15,699,292
Income tax	8(a)	**(1,639,068)**	(3,880,265)
Profit for the year		**6,486,629**	11,819,027
Attributable to:			
Equity shareholders of the Company	11	**6,331,103**	11,586,382
Non-controlling interests		**155,526**	232,645
Profit for the year		**6,486,629**	11,819,027
Earnings per share	13		
– Basic		**RMB1.19**	RMB2.19
– Diluted		**RMB1.19**	RMB2.19

The notes on pages 126 to 270 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 39(b).

Consolidated statement of comprehensive income for the year ended 31 December 2012

(Expressed in Renminbi Yuan)

	Note	2012 RMB'000	2011 RMB'000 (Restated)
Profit for the year		**6,486,629**	11,819,027
Other comprehensive income for the year (after tax and reclassification adjustments)	12		
Exchange differences on translation of:			
financial statements of overseas subsidiaries		**(4,268)**	–
Available-for-sale equity securities:			
net movement in the fair value reserve		**(392,463)**	(698,668)
		(396,731)	(698,668)
Total comprehensive income for the year		**6,089,898**	11,120,359
Attributable to:			
Equity shareholders of the Company		**5,935,488**	10,887,714
Non-controlling interests		**154,410**	232,645
Total comprehensive income for the year		**6,089,898**	11,120,359

The notes on pages 126 to 270 form part of these financial statements.

Consolidated statement of financial position at 31 December 2012

(Expressed in Renminbi Yuan)

	Note	2012 RMB'000	2012 RMB'000	2011 RMB'000	2011 RMB'000
Non-current assets					
Property, plant and equipment	14(a)		**52,607,328**		48,803,943
Lease prepayments	15(a)		**3,291,595**		2,681,343
Intangible assets	16(a)		**1,901,155**		1,796,554
Goodwill	17		**212,389**		79,693
Interest in associates	19		**1,868,374**		160,454
Interest in jointly controlled entity	20		**248,912**		238,219
Loans and receivables	21		**314,449**		340,860
Available-for-sale equity securities	22		**3,297,305**		3,578,852
Deferred tax assets	35(b)		**160,441**		103,548
			63,901,948		57,783,466
Current assets					
Inventories	23	**4,038,538**		4,378,423	
Other investments	24	**106,324**		75,897	
Trade receivables	25	**8,389,079**		10,938,748	
Prepayments and other receivables	26	**2,234,634**		2,404,199	
Amounts due from related parties	28	**522,330**		384,506	
Tax recoverable	35(a)	**96,965**		10,371	
Restricted cash deposits		**108,731**		58,994	
Bank deposits with maturity over three months		**14,000**		221,624	
Cash and cash equivalents	29	**8,110,974**		7,747,188	
		23,621,575		26,219,950	
Current liabilities					
Trade payables	30	**5,133,852**		5,078,909	
Other payables and accruals	31	**5,705,945**		6,640,530	
Bank loans and other borrowings	33	**2,658,427**		3,197,073	
Amounts due to related parties	28	**270,906**		336,710	
Current portion of long-term payables	36	**54,152**		55,179	
Obligations under finance leases	37	**57,996**		59,228	
Current taxation	35(a)	**640,045**		1,623,693	
		14,521,323		16,991,322	
Net current assets			**9,100,252**		9,228,628
Total assets less current liabilities			**73,002,200**		67,012,094

The notes on pages 126 to 270 form part of these financial statements.

Consolidated statement of financial position at 31 December 2012 (continued)

(Expressed in Renminbi Yuan)

	Note	2012 RMB'000	2012 RMB'000	2011 RMB'000	2011 RMB'000
Non-current liabilities					
Bank loans and other borrowings	32(a)	**21,079,634**		19,238,754	
Long-term payables	36	**354,936**		405,094	
Obligations under finance leases	37	**–**		58,878	
Deferred income	38	**417,667**		414,787	
Deferred tax liabilities	35(b)	**346,842**		445,755	
			22,199,079		20,563,268
NET ASSETS			**50,803,121**		46,448,826
CAPITAL AND RESERVES					
Share capital	39(c)		**5,299,303**		5,299,303
Reserves			**43,238,237**		39,157,505
Total equity attributable to equity shareholders of the Company			**48,537,540**		44,456,808
Non-controlling interests			**2,265,581**		1,992,018
TOTAL EQUITY			**50,803,121**		46,448,826

Approved and authorised for issue by the board of directors on 22 March 2013.

Guo Wen San
Directors

Guo Jing Bin
Directors

The notes on pages 126 to 270 form part of these financial statements.

Statement of financial position at 31 December 2012

(Expressed in Renminbi Yuan)

		2012		2011	
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	14(b)		**1,050,189**		916,792
Lease prepayments	15(b)		**208,433**		182,431
Intangible assets	16(b)		**93,027**		101,361
Investments in subsidiaries	18		**31,355,527**		29,842,249
Interest in associates	19		**1,475,164**		157,429
Interest in jointly controlled entity	20		**179,347**		179,347
Loans and receivables	21		**5,340,000**		300,000
Available-for-sale equity securities	22		**3,297,305**		3,578,852
			42,998,992		35,258,461
Current assets					
Inventories	23	**357,462**		290,970	
Other investments	24	**106,324**		75,897	
Trade receivables	25	**1,442,455**		2,232,809	
Prepayments and other receivables	26	**7,097,256**		7,172,103	
Amounts due from subsidiaries	27	**10,542,584**		5,907,064	
Amounts due from related parties	28	**1,129**		12,018	
Restricted cash deposits		**79,771**		8,789	
Cash and cash equivalents	29	**5,818,990**		5,513,296	
		25,445,971		21,212,946	
Current liabilities					
Trade payables	30	**1,418,130**		1,016,945	
Other payables and accruals	31	**855,715**		715,480	
Bank loans and other borrowings	33	**631,000**		450,000	
Amounts due to subsidiaries	27	**5,416,555**		6,993,030	
Amounts due to related parties	28	**9,842**		103,029	
Current taxation	35(a)	**60**		215,324	
		8,331,302		9,493,808	
Net current assets			**17,114,669**		11,719,138
Total assets less current liabilities			**60,113,661**		46,977,599

The notes on pages 126 to 270 form part of these financial statements.

Statement of financial position at 31 December 2012 (continued)

(Expressed in Renminbi Yuan)

		2012		2011	
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Non-current liabilities					
Bank loans and other borrowings	32(a)	**16,266,428**		10,355,640	
Deferred income	38	**28,264**		31,399	
Deferred tax liabilities	35(b)	**143,765**		274,068	
			16,438,457		10,661,107
NET ASSETS			**43,675,204**		36,316,492
CAPITAL AND RESERVES	39(a)				
Share capital			**5,299,303**		5,299,303
Reserves			**38,375,901**		31,017,189
TOTAL EQUITY			**43,675,204**		36,316,492

Approved and authorised for issue by the board of directors on 22 March 2013.

Guo Wen San
Directors

Guo Jing Bin
Directors

The notes on pages 126 to 270 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2012

(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2011		3,532,868	12,010,225	224,202	-	1,141,884	1,539,821	16,179,955	34,628,955	620,225	35,249,180
Changes in equity for 2011:											
Profit for the year		-	-	-	-	-	-	11,586,382	11,586,382	232,645	11,819,027
Other comprehensive income	12	-	-	-	-	-	(698,668)	-	(698,668)	-	(698,668)
Total comprehensive income		-	-	-	-	-	(698,668)	11,586,382	10,887,714	232,645	11,120,359
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		-	-	-	-	-	-	-	-	(6,412)	(6,412)
Dividends approved in respect of the previous year	39(b)	-	-	-	-	-	-	(1,059,861)	(1,059,861)	-	(1,059,861)
Capitalisation issue	39(c)(ii)	1,766,435	(1,766,435)	-	-	-	-	-	-	-	-
Acquisition of subsidiaries with non-controlling interests		-	-	-	-	-	-	-	-	1,090,570	1,090,570
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders		-	-	-	-	-	-	-	-	54,990	54,990
Appropriations to reserves for current year profit		-	-	-	-	660,910	-	(660,910)	-	-	-
Balance at 31 December 2011		5,299,303	10,243,790	224,202	-	1,802,794	841,153	26,045,566	44,456,808	1,992,018	46,448,826
Changes in equity for 2012:											
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**6,331,103**	**6,331,103**	**155,526**	**6,486,629**
Other comprehensive income	12	**-**	**-**	**-**	**(3,152)**	**-**	**(392,463)**	**-**	**(395,615)**	**(1,116)**	**(396,731)**
Total comprehensive income		**-**	**-**	**-**	**(3,152)**	**-**	**(392,463)**	**6,331,103**	**5,935,488**	**154,410**	**6,089,898**
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(71,381)**	**(71,381)**
Dividends approved in respect of the previous year	39(b)	**-**	**-**	**-**	**-**	**-**	**-**	**(1,854,756)**	**(1,854,756)**	**-**	**(1,854,756)**
Acquisition of subsidiaries with non-controlling interests	4	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**68,425**	**68,425**
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**122,109**	**122,109**
Appropriations to reserves for current year profit	39(d)(iii)	**-**	**-**	**-**	**-**	**846,860**	**-**	**(846,860)**	**-**	**-**	**-**
Balance at 31 December 2012		**5,299,303**	**10,243,790**	**224,202**	**(3,152)**	**2,649,654**	**448,690**	**29,675,053**	**48,537,540**	**2,265,581**	**50,803,121**

The notes on pages 126 to 270 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2012

(Expressed in Renminbi Yuan)

	Note	2012 RMB'000	2012 RMB'000	2011 RMB'000	2011 RMB'000
Operating activities					
Cash generated from operations	29(b)	**14,282,052**		13,605,701	
– Income tax paid		**(2,773,412)**		(3,113,889)	
– Interest paid		**(1,172,349)**		(765,257)	
Net cash generated from operating activities			**10,336,291**		9,726,555
Investing activities					
Payment for the purchase of property, plant and equipment		**(6,157,233)**		(7,615,409)	
Proceeds from disposal of property, plant and equipment and lease prepayments		**27,390**		51,285	
Lease prepayments		**(562,059)**		(238,669)	
Payment for the purchase of intangible assets		**(95,777)**		(401,588)	
Loans to related parties		**(223,250)**		–	
Payment for purchase of					
– available-for-sale equity securities		**(263,806)**		(773,228)	
– trading financial assets		**(34,466)**		(159,401)	
Proceeds from sale of available-for-sale equity securities		**46,315**		40,242	
Proceeds from maturity of loans to third parties		**750,000**		4,050,000	
Proceeds from sale of trading financial assets		**5,266**		80,582	
New loans to third parties		**–**		(4,800,000)	
New advances to government		**(35,143)**		(331,898)	
Repayment of advances from government		**93,650**		80,454	
New bank deposits with maturity over three months		**(44,000)**		(140,000)	
Proceeds from maturity of bank deposits over three months		**250,000**		69,376	
Interest received		**170,827**		193,462	
Capital contribution to a jointly controlled entity		**–**		(100,000)	
Proceeds from disposal of associates		**285**		–	
Payment for the investment in associates	19	**(1,820,893)**		–	
Dividends received from a jointly controlled entity		**19,251**		–	
Acquisition of subsidiaries, net of cash acquired		**(600,439)**		(173,021)	
Dividends received from investment in securities		**4,420**		–	
Net cash used in investing activities			**(8,469,662)**		(10,167,813)

The notes on pages 126 to 270 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2012 (continued)

(Expressed in Renminbi Yuan)

	Note	2012 RMB'000	2012 RMB'000	2011 RMB'000	2011 RMB'000
Financing activities					
Proceeds from new bank loans and other borrowings		**9,303,056**		12,836,035	
Repayment of bank loans and other borrowings		**(8,349,640)**		(5,603,423)	
Dividends paid to non-controlling shareholders of non-wholly owned subsidiaries		**(71,381)**		(6,412)	
Dividends paid to equity shareholders of the Company	39(b)(ii)	**(1,854,756)**		(1,059,861)	
Decrease/(increase) in restricted cash deposits		**27,194**		(5,768)	
Capital contribution from non-controlling interests		**122,109**		54,990	
Payment of rentals for sale and leaseback of property, plant and equipment		**(64,930)**		(59,570)	
Other payments related to financing activities		**(610,227)**		(656,693)	
Net cash (used in)/generated from financing activities			**(1,498,575)**		5,499,298
Net increase in cash and cash equivalents			**368,054**		5,058,040
Effect of foreign exchange rate changes			**(4,268)**		–
Cash and cash equivalents at 1 January	29(a)		**7,747,188**		2,689,148
Cash and cash equivalents at 31 December	29(a)		**8,110,974**		7,747,188

The notes on pages 126 to 270 form part of these financial statements.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1 GENERAL INFORMATION

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

The registered office of the Company is No. 39 Wenhua Road, Wuhu City, Anhui Province, the PRC.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries and the Group's interest in associates and jointly controlled entities.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

The IASB has issued several 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 financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, 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. The adoption of such amendments to standards did not have significant effect on results or financial position of the Group for the current year.

(d) Subsidiaries and non-controlling interests

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligation towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(q) or 2(r) depending on the nature of the liability.

Acquisition of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(n)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(aa)).

(e) Associates and jointly controlled entities

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and jointly controlled entities (continued)

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

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

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

(f) Goodwill

Goodwill represents the excess of

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill (continued)

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

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

(g) Other investments in debt and equity securities

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

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(h) Derivative financial instruments

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(n)).

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

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

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

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

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

(k) Construction-in-progress

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Construction-in-progress

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

(l) Intangible assets (other than goodwill)

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

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

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

Both the period and method of amortisation are reviewed annually.

(m) Leased assets

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

(i) Classification of assets leased to the Group

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leased assets (continued)

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of assets (continued)

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

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

– significant financial difficulty of the debtor;

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

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

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of assets (continued)

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

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of assets (continued)

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

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

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

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

(ii) Impairment of other assets

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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

(iii) Interim financial reporting and impairment

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

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

(o) Inventories

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Inventories (continued)

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

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

(p) Trade and other receivables

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

(q) Interest-bearing borrowings

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

(r) Trade and other payables

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Cash and cash equivalents

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

(t) Employee benefits

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

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

(u) Income tax

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (continued)

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (continued)

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Contingent liabilities assumed in business combinations

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(iii) Other provisions and contingent liabilities

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

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

(w) Revenue recognition

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

(i) Sale of goods

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue recognition (continued)

(ii) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iii) Interest income

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

(iv) Government grants

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

(x) Repairs and maintenance

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

(y) Translation of foreign currencies

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Translation of foreign currencies (continued)

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

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(z) Borrowing costs

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Non-current assets held for sale

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Segment reporting

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

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 40 contains information about the assumptions and their risk factors relating to the fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment for non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36, Impairment of Assets. The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, tariff and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, tariffs and amount of operating costs.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(b) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account upgrading and improvement work performed, and anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in customer preference and competitor actions in response to industry cycles. Management measures these estimates at each statement of financial position date.

(d) Impairment for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of customers to make the required payments. The Group bases the estimates on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(e) Fair value

In determining the fair value of the financial instruments, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 BUSINESS COMBINATIONS

The Group acquired four subsidiaries and clinkers and cement business from independent third parties during the year. The acquired subsidiaries are established in the PRC and are principally engaged in the manufacture and sale of clinkers and cement related products.

During the periods from the respective dates of acquisitions to 31 December 2012, these acquired subsidiaries and business contributed an aggregate revenue of RMB670,933,000 and an aggregate loss of RMB51,170,000 to the Group's results. If the acquisitions had occurred on 1 January 2012, management estimates that the consolidated revenue for the year ended 31 December 2012 would have been RMB45,862,796,000, and the consolidated profit for the year would have been RMB6,483,527,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the respective dates of acquisition would remain the same even if the acquisitions had all occurred on 1 January 2012.

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

Fair value of identifiable assets acquired and liabilities assumed:

	RMB'000
Property, plant and equipment	1,505,423
Lease prepayments	106,373
Intangible assets	29,672
Inventories	106,331
Cash and cash equivalents	1,268
Trade receivables, prepayments and other receivables	144,456
Deferred tax assets	8,657
Bank loans and other borrowings	(344,030)
Trade payables and other liabilities	(793,319)
Deferred tax liabilities	(47,775)
Total net identifiable assets of the acquirees	717,056

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 BUSINESS COMBINATIONS (CONTINUED)

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	658,666
Non-controlling interests, based on their proportionate interest in recognised amount of the assets and liabilities of the acquirees	68,425
Fair value of identifiable net assets	(717,056)
	10,035
Goodwill arising from the above business combinations	18,959
Bargain purchase gain	(8,924)
	10,035

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING

(a) Turnover

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

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

	2012	2011
	RMB'000	RMB'000
Sales of clinkers and cement products	**45,062,826**	48,146,857
Sales of materials and other products	**286,092**	167,934
Service income	**417,285**	339,018
	45,766,203	48,653,809

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

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

(b) Segment reporting

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities

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

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2012 and 2011 is set out below:

For the year ended 31 December 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 (ii)) RMB'000	Total RMB'000
Revenue from external customers	14,138,313	16,789,106	7,974,816	6,863,968	-	45,766,203	-	45,766,203
Inter-segment revenue	1,227,337	8,852,266	127,457	39,359	-	10,246,419	(10,246,419)	-
Reportable segment revenue	15,365,650	25,641,372	8,102,273	6,903,327	-	56,012,622	(10,246,419)	45,766,203
Reportable segment profit/(loss)	939,285	5,937,448	1,721,841	774,100	(4,549)	9,368,125	(1,242,428)	8,125,697
Interest income	10,119	357,438	4,242	9,747	16	381,562	(243,840)	137,722
Interest expense	(162,628)	(844,851)	(133,865)	(194,992)	-	(1,336,336)	199,759	(1,136,577)
Depreciation and amortisation for the year	(371,559)	(1,710,893)	(487,030)	(706,088)	(376)	(3,275,946)	-	(3,275,946)
Reportable segment assets (including investment in associates and joint venture)	10,669,257	72,824,447	11,543,664	19,603,989	293,008	114,934,365	(27,410,842)	87,523,523
Additions to non-current segment assets during the year	513,890	2,456,911	1,537,266	3,316,082	70,776	7,894,925	-	7,894,925
Reportable segment liabilities	6,226,392	29,982,356	3,364,410	12,108,718	128,633	51,810,509	(15,090,107)	36,720,402

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

For the year ended 31 December 2011

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

	2012 **RMB'000**	2011 RMB'000
Revenue		
Elimination of inter-segment revenue	**(10,246,419)**	(11,451,842)

	2012 **RMB'000**	2011 RMB'000
Profit		
Elimination of inter-segment profits	**(1,280,308)**	(2,038,609)
Difference between		
PRC accounting standards and IFRS*	**37,880**	47,098
	(1,242,428)	(1,991,511)

	2012 **RMB'000**	2011 RMB'000
Assets		
Elimination of inter-segment balances	**(27,410,842)**	(14,039,792)

	2012 **RMB'000**	2011 RMB'000
Liabilities		
Elimination of inter-segment balances	**(15,463,075)**	(3,512,585)
Difference between		
PRC accounting standards and IFRS*	**372,968**	392,894
	(15,090,107)	(3,119,691)

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(iii) Geographic information

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

	Revenue from external customers		**Specified non-current assets**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**44,378,282**	47,659,973	**60,488,688**	53,760,206
Others	**1,387,921**	993,836	**70,399**	–
	45,766,203	48,653,809	**60,559,087**	53,760,206

6 OTHER REVENUE AND NET INCOME

	2012	2011
	RMB'000	RMB'000
Other revenue		
Interest income	**137,722**	228,219
Subsidy income	**1,031,051**	648,815
Dividend income from listed securities	**4,420**	–
	1,173,193	877,034

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

6 OTHER REVENUE AND NET INCOME (CONTINUED)

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

	2012 **RMB'000**	2011 RMB'000
Other net income		
Remeasurement to fair value of pre-existing interest in acquiree	**–**	62,595
Net gain on disposal of fixed assets	**21,009**	30,951
Net gain on disposal of lease prepayments	**1,734**	–
Net realised and unrealised gains/(losses) on trading securities	**1,227**	(2,922)
Changes in fair value of forward contracts	**628**	(347)
Available-for-sale securities: reclassified from equity on disposal	**24,246**	22,748
Net exchange gain	**2,178**	20,944
Others	**17,347**	16,833
	68,369	150,802

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

7 PROFIT BEFORE TAXATION

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

	2012 RMB'000	2011 RMB'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	**1,050,959**	967,463
Interest on bank advances and other borrowings wholly repayable after five years	**178,498**	81,174
Finance charges on obligations under finance leases	**4,820**	7,509
Interest on discount of notes receivable	**–**	1,351
Total interest expense on financial liabilities not at fair value through profit or loss	**1,234,277**	1,057,497
Less: interest expense capitalised into construction-in-progress*	**(97,700)**	(182,867)
	1,136,577	874,630

* The borrowing costs have been capitalised at rates of 4.69%~6.35% (2011: 4.69%~6.21%) per annum.

	2012 RMB'000	2011 RMB'000
(b) Staff costs		
Contributions to defined contribution retirement plans	**281,516**	213,587
Salaries, wages and other benefits	**2,343,205**	1,946,439
	2,624,721	2,160,026

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

7 PROFIT BEFORE TAXATION (CONTINUED)

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

	Note	**2012 RMB'000**	2011 RMB'000
(c) Other items			
Recognition of deferred income	38	**(40,197)**	(49,292)
Amortisation			
– interest in leasehold land held for own use under operating leases	15(a)	**69,541**	45,268
– intangible assets	16(a)	**90,983**	58,473
Depreciation	14(a)	**3,115,422**	2,467,316
Impairment losses/(reversal of impairment losses)			
– trade receivables	25(b)	**(40)**	(42)
– prepayments and other receivables		**(35)**	(22)
– property, plant and equipment	14(a)	**–**	5,546
Auditors' remuneration			
– audit services		**4,840**	4,840
– other services		**10**	10

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2012 RMB'000	2011 RMB'000
Current tax-PRC Corporate Income Tax		
Provision for the year	**1,895,589**	3,891,918
Over-provision in respect of prior years	**(192,419)**	(22,090)
	1,703,170	3,869,828
Deferred tax		
Origination and reversal of temporary differences	**(64,102)**	10,437
	1,639,068	3,880,265

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

Individual companies within the Group are generally subject to Corporate Income Tax at 25% (2011: 25%) on taxable income determined according to the relevant income tax rules and regulations of the PRC, except for:

Beiliu Conch Cement Co., Ltd. ("Beiliu Conch") 北流海螺水泥有限責任公司(Note i)	15%
Xingye Kuiyang Conch Cement Co., Ltd. ("Kuiyang Conch") 興業葵陽海螺水泥有限責任公司(Note i)	15%
Fusui Xinning Conch Cement Co., Ltd. ("Xinning Conch") 扶綏新寧海螺水泥有限責任公司(Note i)	15%
Xing'an Conch Cement Co., Ltd. ("Xing'an Conch") 興安海螺水泥有限責任公司(Note i)	15%
Pingliang Conch Cement Co., Ltd. ("Pingliang Conch") 平涼海螺水泥有限責任公司(Note i)	15%

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

Dazhou Conch Cement Co., Ltd. ("Dazhou Conch") 達州海螺水泥有限責任公司(Note i)	15%
Guangyuan Conch Cement Co., Ltd. ("Guangyuan Conch") 廣元海螺水泥有限責任公司(Note i)	15%
Chongqing Conch Cement Co., Ltd. ("Chongqing Conch") 重慶海螺水泥有限責任公司(Note i)	15%
Liquan Conch Cement Co., Ltd. ("Liquan Conch") 禮泉海螺水泥有限責任公司(Note i)	15%
Guigyang Conch Panjiang Cement Co., Ltd. ("Guiyang Conch") 貴陽海螺盤江水泥有限公司(Note i)	15%
Guiding Conch Panjiang Cement Co., Ltd. ("Guiding Conch") 貴定海螺盤江水泥有限公司(Note i)	15%
Zunyi Conch Panjiang Cement Co., Ltd. ("Zunyi Conch") 遵義海螺盤江水泥有限公司(Note i)	15%
Qianyang Conch Cement Co., Ltd. ("Qianyang Conch") 千陽海螺水泥有限責任公司(Note i)	15%
Baoji Zhongxi Fenghuangshan Cement Co., Ltd. ("Fenghuangshan") 寶雞眾喜鳳凰山水泥有限公司(Note i)	15%
Baoji Zhongxi Jinlinghe Cement Co., Ltd. ("Jinlinghe") 寶雞市眾喜金陵河水泥有限公司(Note i)	15%
Guangxi Sihegongmao Co., Ltd. ("Sihegongmao") 廣西四合工貿有限責任公司(Note i)	15%
Longling Conch Cement Co., Ltd. ("Longling Conch") 龍陵海螺水泥有限責任公司(Note i)	15%
Hami Hongyi Construction Co., Ltd. ("Hami Construction") 哈密弘毅建材有限責任公司(Note ii)	0%

Notes:

(i) Pursuant to Notice No.12 issued by State Administration of Taxation on 6 April 2012 and relevant local tax authorities' notices, the above seventeen companies were entitled to 15% preferential income tax rate as qualifying companies located in western areas in the PRC. Five of the above companies, Qianyang Conch, Fenghuangshan, Jinlinghe, Sihegongmao and Longling Conch are entitled to a preferential income tax rate of 15%, effective from 1 January 2012 to 31 December 2020. The remaining twelve companies are entitled to a preferential income tax rate of 15%, effective from 1 January 2011 retrospectively to 31 December 2020. These twelve companies accrued income tax for 2011 based on enacted income tax rate of 25%, and settled income tax for 2011 at a rate of 15% in 2012 in accordance with the relevant local tax authorities' notices. The difference arising from which is recorded as an over-provision for income tax in respect of prior years (Note8(b)).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

Notes: (continued)

(ii) In 2012, Hami Construction is recognised by the local tax authorities as an enterprise located in under-developed regions with operation in encouraged industries as defined by relevant authorities. According to Cai Shui [2011] No. 53 jointly issued by the Ministry of Finance and the State Administration of Taxation, Hami Construction is entitled to a tax holiday of a tax-free period for the first and second years and a 50% reduction in income tax rate for the third to fifth years, starting from the first year earning revenue. In accordance with local tax authority's notice, the applicable income tax rates for Hami Construction are 0% in 2012 and 2013, and 12.5% from 2014 to 2016.

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

	2012 RMB'000	2011 RMB'000
Profit before taxation	**8,125,697**	15,699,292
Notional tax on profit before taxation calculated at 25% (2011: 25%)	**2,031,424**	3,924,823
Tax effect of subsidiaries subject to tax rates other than 25%	**(181,350)**	(1,189)
Tax effect of non-deductible expenses	**7,643**	10,152
Tax effect of non-taxable income	**(28,309)**	(35,058)
Tax effect of unused tax losses not recognised	**2,079**	3,627
Over-provision in respect of prior years	**(192,419)**	(22,090)
Actual tax expense	**1,639,068**	3,880,265

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

9 DIRECTORS' REMUNERATION

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

	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement plan contributions RMB'000	2012 Total RMB'000
Chairman					
Guo Wensan*	–	–	–	–	–
Executive directors					
Ji Qinying	–	132	605	22	759
Zhang Mingjing	–	126	722	22	870
Guo Jingbin*	–	–	–	–	–
Wu Jianping	–	23	–	4	27
Independent non-executive directors					
Kang Woon	–	100	–	–	100
Ding Meicai*	–	–	–	–	–
Chan Yuk Tong* (retired on 2 June 2012)	–	–	–	–	–
Wong Kun Kau (appointed on 31 May 2012)	–	100	–	–	100
Supervisors					
Wang Jun*	–	–	–	–	–
Wang Yanmou	–	100	–	–	100
Ding Feng	–	131	467	22	620
	–	712	1,794	70	2,576

* No remuneration is paid or payable by the Group for the year. Mr. Chan Yuk Tong retired as an independent non-executive director with effect from 2 June 2012. In addition, no remuneration is due to these directors and supervisors in respect of their services in connection with the management of the affairs of the Group.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

9 DIRECTORS' REMUNERATION (CONTINUED)

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2011: one) is a director whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other four (2011: four) individuals are as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other emoluments	540	672
Discretionary bonuses	2,933	4,385
Retirement plan contributions	90	77
	3,563	5,134

The emoluments of the four (2011: four) individuals with the highest emoluments are within the following bands:

	2012 Number of individuals	2011 Number of individuals
Nil – HK$1,000,000 (equivalent to RMB810,850)	2	–
HK$1,000,001(equivalent to RMB810,851) – HK$1,500,000 (equivalent to RMB1,216,275)	2	2
HK$1,500,001(equivalent to RMB1,216,276) – HK$2,000,000 (equivalent to RMB1,621,700)	–	2

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

11 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB229,194,000 (2011: RMB841,343,000) which has been dealt with in the financial statements of the Company.

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

	2012 **RMB'000**	2011 RMB'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**229,194**	841,343
Final dividends from subsidiaries and a jointly controlled entity attributable to the profits of the previous financial year, approved and paid during the year:		
– From subsidiaries	**9,357,486**	5,720,365
– From a jointly controlled entity	**19,251**	–
Company's profit for the year (note 39(a))	**9,605,931**	6,561,708

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

12 OTHER COMPREHENSIVE INCOME

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

	2012			2011		
	Before-tax amount RMB'000	**Tax expense RMB'000**	**Net-of-tax amount RMB'000**	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of: financial statements of overseas subsidiaries	**(4,268)**	**–**	**(4,268)**	–	–	–
Available-for-sale equity securities: net movement in fair value reserve	**(523,284)**	**130,821**	**(392,463)**	(931,557)	232,889	(698,668)
Other comprehensive income	**(527,552)**	**130,821**	**(396,731)**	(931,557)	232,889	(698,668)

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

	2012 RMB'000	2011 RMB'000
Available-for-sale equity securities:		
Changes in fair value recognised during the year	**(499,038)**	(908,809)
Reclassification adjustments for amounts transferred to profit or loss due to disposal	**(24,246)**	(22,748)
Net deferred tax credited to comprehensive income	**130,821**	232,889
Net movement in the fair value reserve during the year recognised in other comprehensive income	**(392,463)**	(698,668)

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

13 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the year ended 31 December 2012 of RMB6,331,103,000 (2011: RMB11,586,382,000) and the weighted average number of shares in issue during the year ended 31 December 2012 of 5,299,303,000 shares (2011: 5,299,303,000 shares).

Weighted average number of ordinary shares

	2012 **thousand**	2011 thousand
Issued ordinary shares at 1 January	**5,299,303**	3,532,868
Effect of capitalisation issue (note 39(c)(ii))	**–**	1,766,435
Weighted average number of ordinary shares at 31 December	**5,299,303**	5,299,303

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the years ended 31 December 2012 and 2011.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

14 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Plant and Buildings RMB'000	Machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost:						
At 1 January 2011	16,758,405	25,051,904	532,485	851,419	6,366,672	49,560,885
Acquisition through business combinations	1,735,234	2,311,336	6,733	34,030	364,046	4,451,379
Other additions	56,958	431,511	37,786	311,167	6,889,837	7,727,259
Transfer from construction-in-progress	3,352,785	4,494,415	3,424	936	(7,851,560)	–
Disposals	(43,554)	(164,227)	(904)	(26,164)	–	(234,849)
At 31 December 2011	21,859,828	32,124,939	579,524	1,171,388	5,768,995	61,504,674
At 1 January 2012	21,859,828	32,124,939	579,524	1,171,388	5,768,995	61,504,674
Acquisition through business combinations	913,046	545,755	445	2,611	43,566	1,505,423
Other additions	315,844	479,146	16,122	114,182	4,492,277	5,417,571
Transfer from construction-in-progress	3,326,446	3,661,593	4,896	837	(6,993,772)	–
Disposals	(3,144)	(6,673)	(208)	(11,559)	–	(21,584)
At 31 December 2012	26,412,020	36,804,760	600,779	1,277,459	3,311,066	68,406,084

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The Group (continued)

	Plant and Buildings RMB'000	Machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Accumulated depreciation and impairment:						
At 1 January 2011	2,430,966	7,129,353	404,912	477,153	–	10,442,384
Charge for the year	603,872	1,704,136	30,268	129,040	–	2,467,316
Impairment loss	5,546	–	–	–	–	5,546
Written back on disposals	(31,192)	(158,736)	(771)	(23,816)	–	(214,515)
At 31 December 2011	3,009,192	8,674,753	434,409	582,377	–	12,700,731
At 1 January 2012	3,009,192	8,674,753	434,409	582,377	–	12,700,731
Charge for the year	809,805	2,114,541	30,443	160,633	–	3,115,422
Written back on disposals	(860)	(5,744)	(162)	(10,631)	–	(17,397)
At 31 December 2012	3,818,137	10,783,550	464,690	732,379	–	15,798,756
Net book value:						
At 31 December 2012	22,593,883	26,021,210	136,089	545,080	3,311,066	52,607,328
At 31 December 2011	18,850,636	23,450,186	145,115	589,011	5,768,995	48,803,943

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The Group (continued)

(i) As at 31 December 2012, the carrying amount of property, plant and equipment pledged as security against the Group's non-current borrowings of RMB650,000,000 (2011: non-current borrowings of RMB769,500,000 and current borrowings of RMB80,800,000) amounted to approximately RMB392,866,000 (2011: RMB849,515,000).

(ii) During 2010, the Group entered into sales and leaseback agreements with a finance lease company, an independent third party. The agreements are for a period of three years. At the end of the respective lease terms, the Group will have the option to purchase the leased plant and machinery at a nominal value of RMB1. None of the leases includes contingent rentals.

The sales and leaseback transactions resulted in deferred gains on disposal of the related plant and machinery which were leased back and recorded as the Group's additions to plant and machinery of RMB177,478,000 in 2010. As at 31 December 2012, the net book value of plant and machinery held under the above transactions of the Group was RMB154,011,000 (2011: RMB165,251,000).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) The Company

	Plant and Buildings RMB'000	Machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost:						
At 1 January 2011	522,011	965,808	13,110	45,823	75,235	1,621,987
Additions	7,387	7,365	967	6,527	36,412	58,658
Transfer from construction-in-progress	7,826	56,044	204	–	(64,074)	–
Disposals	(37,511)	(138,453)	(613)	(10,262)	–	(186,839)
At 31 December 2011	499,713	890,764	13,668	42,088	47,573	1,493,806
At 1 January 2012	499,713	890,764	13,668	42,088	47,573	1,493,806
Additions	181,722	6,860	368	585	40,108	229,643
Transfer from construction-in-progress	12,288	4,009	–	176	(16,473)	–
Disposals	(535)	(3,194)	–	(2,325)	–	(6,054)
At 31 December 2012	693,188	898,439	14,036	40,524	71,208	1,717,395

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) The Company (continued)

	Plant and Buildings RMB'000	Machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Accumulated depreciation and impairment:						
At 1 January 2011	187,063	433,508	9,788	22,441	–	652,800
Charge for the year	22,866	70,034	936	5,360	–	99,196
Written back on disposals	(29,288)	(135,267)	(501)	(9,926)	–	(174,982)
At 31 December 2011	180,641	368,275	10,223	17,875	–	577,014
At 1 January 2012	180,641	368,275	10,223	17,875	–	577,014
Charge for the year	25,837	60,918	2,885	5,841	–	95,481
Written back on disposals	(465)	(2,615)	–	(2,209)	–	(5,289)
At 31 December 2012	206,013	426,578	13,108	21,507	–	667,206
Net book value:						
At 31 December 2012	487,175	471,861	928	19,017	71,208	1,050,189
At 31 December 2011	319,072	522,489	3,445	24,213	47,573	916,792

As at 31 December 2012, the carrying amount of property, plant, and equipment pledged as security against the Company's non-current borrowings of RMB650,000,000 (2011: RMB650,000,000) amounted to approximately RMB392,866,000 (2011: RMB420,302,000).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

15 LEASE PREPAYMENTS

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

(a) The Group

	Interest in leasehold land held for own use under operating leases RMB'000
Cost:	
At 1 January 2011	2,288,196
Acquisitions through business combination	449,382
Additions	257,063
At 31 December 2011	2,994,641
At 1 January 2012	2,994,641
Acquisitions through business combination	106,373
Additions	573,880
Disposals	(573)
At 31 December 2012	3,674,321

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

15 LEASE PREPAYMENTS (CONTINUED)

(a) The Group (continued)

	Interest in leasehold land held for own use under operating leases RMB'000
Accumulated amortisation and impairment:	
At 1 January 2011	268,030
Charge for the year	45,268
At 31 December 2011	313,298
At 1 January 2012	313,298
Charge for the year	69,541
Written back on disposals	(113)
At 31 December 2012	382,726
Net book value:	
At 31 December 2012	3,291,595
At 31 December 2011	2,681,343

As at 31 December 2012, the carrying amount of interest in leasehold land held for own use under operating leases pledged as security against the Group's non-current loans and other borrowings of RMB650,000,000 (2011: RMB735,500,000) amounted to approximately RMB173,985,000 (2011: RMB205,447,000).

As at 31 December 2012, application for the registration of interest in leasehold land acquired for own use under operating leases with cost of approximately RMB121,744,000 (2011: RMB160,525,000) was still in progress.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

15 LEASE PREPAYMENTS (CONTINUED)

(b) The Company

	Interest in leasehold land held for own use under operating leases RMB'000
Cost:	
At 1 January 2011	251,208
Disposals	(10,505)
At 31 December 2011	240,703
At 1 January 2012	240,703
Additions	35,061
At 31 December 2012	275,764
Accumulated amortisation and impairment:	
At 1 January 2011	59,666
Charge for the year	1,618
Written back on disposals	(3,012)
At 31 December 2011	58,272
At 1 January 2012	58,272
Charge for the year	9,059
At 31 December 2012	67,331
Net book value:	
At 31 December 2012	208,433
At 31 December 2011	182,431

As at 31 December 2012, the carrying amount of interest in leasehold land for own use under operating leases pledged as security against the Company's non-current borrowings of RMB650,000,000 (2011: RMB650,000,000) amounted to approximately RMB173,985,000 (2011: RMB182,431,000).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INTANGIBLE ASSETS

(a) The Group

	Limestone mining rights RMB'000	Clay mining rights RMB'000	Others (note) RMB'000	Total RMB'000
Cost:				
At 1 January 2011	863,704	32,113	1,678	897,495
Acquisitions through business combination	278,524	131	–	278,655
Additions	793,965	535	117	794,617
At 31 December 2011	1,936,193	32,779	1,795	1,970,767
At 1 January 2012	1,936,193	32,779	1,795	1,970,767
Acquisitions through business combination	28,794	261	617	29,672
Additions	165,021	869	22	165,912
At 31 December 2012	2,130,008	33,909	2,434	2,166,351
Accumulated amortisation:				
At 1 January 2011	110,168	4,750	822	115,740
Charge for the year	57,069	1,185	219	58,473
At 31 December 2011	167,237	5,935	1,041	174,213
At 1 January 2012	167,237	5,935	1,041	174,213
Charge for the year	89,422	1,524	37	90,983
At 31 December 2012	256,659	7,459	1,078	265,196
Net book value:				
At 31 December 2012	1,873,349	26,450	1,356	1,901,155
At 31 December 2011	1,768,956	26,844	754	1,796,554

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INTANGIBLE ASSETS

(a) The Group (continued)

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

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

As at 31 December 2012, application for the registration of limestone mining rights with cost of approximately RMB596,830,000 (2011: RMB609,666,000) was still in progress.

As at 31 December 2012, application for the registration of clay mining rights with cost of approximately RMB552,000 (2011: RMB642,000) was still in progress.

(b) The Company

	Limestone mining rights RMB'000
Cost:	
At 1 January 2011	58,556
Additions	62,415
At 31 December 2011	120,971
At 1 January 2012	120,971
Additions	2,290
At 31 December 2012	123,261

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INTANGIBLE ASSETS (CONTINUED)

(b) The Company (continued)

	Limestone mining rights RMB'000
Accumulated amortisation:	
At 1 January 2011	12,460
Charge for the year	7,150
At 31 December 2011	19,610
At 1 January 2012	19,610
Charge for the year	10,624
At 31 December 2012	30,234
Net book value:	
At 31 December 2012	93,027
At 31 December 2011	101,361

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

17 GOODWILL

		The Group	
	Note	**2012 RMB'000**	2011 RMB'000
Carrying amount:			
At 1 January		**79,693**	16,120
Acquisitions through business combinations		**132,696**	63,573
At 31 December		**212,389**	79,693

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

17 GOODWILL (CONTINUED)

The increase in goodwill during the year ended 31 December 2012 was mainly due to an accrual of RMB113,737,000 made in respect of the provisional consideration for acquisition of certain subsidiaries in 2011. The goodwill arose from the acquisition represents the control premium paid, the benefits of expected synergies to be achieved from integrating the subsidiaries into the Group's existing business, future market development and the acquired workforce.

Impairment tests for cash-generating units containing goodwill

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

The recoverable amount of the cash-generating units is determined based on value-in-use calculations. These calculations use cash flow projections primarily based on the respective financial budgets of the cash-generating units covering a five-year period approved by management and pre-tax discount rate of 11.99% that reflects current market assessment of the time value of money and specific risks relating to the Group.

18 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2012	2011
	RMB'000	RMB'000
Unlisted shares, at cost	**31,403,027**	29,889,749
Less: impairment	**(47,500)**	(47,500)
	31,355,527	29,842,249

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The particulars of subsidiaries, which are either limited liability companies or joint stock limited companies established and operating in the PRC, at 31 December 2012 are as follows (United States dollars referred to as "USD"):

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Anhui Zongyang Conch Cement Co., Ltd. ("Zongyang Conch") 安徽樅陽海螺水泥股份有限公司	RMB 410,000,000	100%	99%	1%	Manufacture and sale of clinker and cement products
Anhui Chizhou Conch Cement Co., Ltd. ("Chizhou Conch") 安徽池州海螺水泥股份有限公司	RMB 950,000,000	100%	100%	–	Manufacture and sale of clinker products
Taizhou Conch Cement Co., Ltd. ("Taizhou Conch") 泰州海螺水泥有限責任公司	RMB 11,520,000	93.75%	93.75%	–	Inactive
Bengbu Conch Cement Co., Ltd. ("Bengbu Conch") 蚌埠海螺水泥有限責任公司	RMB 54,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Wenzhou Conch Cement Co., Ltd. ("Wenzhou Conch") 溫州海螺水泥有限公司	RMB 50,000,000	100%	95%	5%	Inactive
Fenyi Conch Cement Co., Ltd. ("Fenyi Conch") 分宜海螺水泥有限責任公司	RMB 110,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Shangyu Conch Cement Co., Ltd. ("Shangyu Conch") 上虞海螺水泥有限責任公司	RMB 16,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Taicang Conch Cement Co., Ltd. ("Taicang Conch") 太倉海螺水泥有限責任公司	RMB 20,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Taizhou Conch Cement Co., Ltd. ("Taizhou Conch") 台州海螺水泥有限公司	RMB 20,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Haimen Conch Cement Co., Ltd. ("Haimen Conch") 海門海螺水泥有限責任公司	RMB 50,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiangmen Conch Cement Co., Ltd. ("Jiangmen Conch") 江門海螺水泥有限公司	RMB 105,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Ma'anshan Conch Cement Co., Ltd. ("Ma'anshan Conch") 馬鞍山海螺水泥有限責任公司	RMB 50,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiangsu Baling Conch Cement Co., Ltd. ("Baling Conch") 江蘇八菱海螺水泥有限公司	RMB 32,960,000	75%	75%	–	Manufacture and sale of clinker and cement products
Shuangfeng Conch Cement Co., Ltd. ("Shuangfeng Conch") 雙峰海螺水泥有限公司	RMB 492,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Anhui Xuancheng Conch Cement Co., Ltd. ("Xuancheng Conch") 安徽宣城海螺水泥有限公司	RMB 406,500,000	100%	100%	–	Manufacture and sale of clinker and cement products
Wuhu Conch Cement Co., Ltd. ("Wuhu Conch") 蕪湖海螺水泥有限公司	RMB 660,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Hunan Conch Cement Co., Ltd. ("Hunan Conch") 湖南海螺水泥有限公司	RMB 400,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Prosperity Conch Cement Co., Ltd. ("Prosperity Conch") 英德海螺水泥有限責任公司	RMB 580,000,000	75%	70%	5%	Manufacture and sale of clinker and cement products
Kuiyang Conch 興業葵陽海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Xinning Conch 扶綏新寧海螺水泥有限責任公司	RMB 328,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Anhui Wuhu Conch Construction and Installation Co., Ltd. ("Conch Construction") 安徽蕪湖海螺建築安裝工程有限責任公司	RMB 30,000,000	100%	100%	–	Provision of construction and installation services for industrial purposes
Xing'an Conch 興安海螺水泥有限責任公司	RMB 350,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Ninghai Qiangjiao Conch Cement Co., Ltd. ("Ninghai Conch") 寧海強蛟海螺水泥有限公司	RMB 110,240,000	100%	100%	–	Manufacture and sale of clinker and cement products and provision of loading services
Beiliu Conch 北流海螺水泥有限責任公司	RMB 450,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Zhanjiang Conch Cement Co., Ltd. ("Zhanjiang Conch") 湛江海螺水泥有限責任公司	RMB 100,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Xiangshan Conch Cement Co., Ltd. ("Xiangshan Conch") 象山海螺水泥有限責任公司	RMB 189,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Yangzhou Conch Cement Co., Ltd. ("Yangzhou Conch") 揚州海螺水泥有限責任公司	RMB 210,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Yiyang Conch Cement Co., Ltd. ("Yiyang Conch") 弋陽海螺水泥有限責任公司	RMB 457,500,000	100%	100%	–	Manufacture and sale of clinker and cement products
Shimen Conch Cement Co., Ltd. ("Shimen Conch") 石門海螺水泥有限責任公司	RMB 421,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Shanghai Conch Construction Material International Trading Co. Ltd ("Conch International Trading") 上海海螺建材國際貿易有限公司	RMB 10,000,000	100%	100%	–	Export sales of clinker and cement products
Wuhu Conch Plastic Products Co., Ltd. ("Wuhu Plastic") 蕪湖海螺塑料制品有限公司	RMB 30,000,000	100%	100%	–	Manufacture and sale of cement packaging
Anhui Ningchang Plastic Packaging Co., Ltd. ("Ningchang Plastic") 安徽寧昌塑料包裝有限公司	RMB 53,554,100	100%	100%	–	Manufacture and sale of cement packaging

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Shanghai Conch Logistic Co., Ltd. ("Conch Logistic") 上海海螺物流有限公司	RMB 10,000,000	100%	100%	–	Logistic services
Wuhu Conch Logistic Co., Ltd. ("Wuhu Logistic") 蕪湖海螺物流有限公司	RMB 40,000,000	100%	100%	–	Logistic services
Guangdong Yinglong Conch Logistic Co., Ltd. ("Yinglong Logistic") 廣東英龍海螺物流有限公司	RMB 10,000,000	100%	100%	–	Logistic services
Yingde Conch Plastic Packaging Co., Ltd. ("Yingde Plastic") 英德海螺塑料包装有限責任公司	RMB 6,000,000	100%	100%	–	Manufacture and sale of cement packaging
Huai'an Chuzhou Conch Cement Co., Ltd. ("Chuzhou Conch") 淮安楚州海螺水泥有限責任公司	RMB 113,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Pingliang Conch 平涼海螺水泥有限責任公司	RMB 470,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Linxiang Conch Cement Co., Ltd. ("Linxiang Conch") 臨湘海螺水泥有限責任公司	RMB 290,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Leqing Conch Cement Co., Ltd. ("Leqing Conch") 樂清海螺水泥有限責任公司	RMB 150,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Quanjiao Conch Cement Co., Ltd. ("Quanjiao Conch") 全椒海螺水泥有限責任公司	RMB 350,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Ningde Conch Cement Co., Ltd. ("Ningde Conch") 寧德海螺水泥有限責任公司	RMB 150,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guangyuan Conch 廣元海螺水泥有限責任公司	RMB 480,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guangdong Qingxin Cement Co., Ltd. ("Qingxin Company") 廣東清新水泥有限公司	RMB 320,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Chongqing Conch 重慶海螺水泥有限責任公司	RMB 550,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiangxi Ganjiang Conch Cement Co., Ltd. ("Ganjiang Conch") 江西贛江海螺水泥有限責任公司	RMB 165,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Foshan Conch Cement Co., Ltd. ("Foshan Conch") 佛山海螺水泥有限責任公司	RMB 100,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Liu'an Conch Cement Co., Ltd. ("Liu'an Conch") 六安海螺水泥有限責任公司	RMB 89,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Dazhou Conch 達州海螺水泥有限責任公司	RMB 480,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Liquan Conch 禮泉海螺水泥有限責任公司	RMB 480,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Qianyang Conch 千陽海螺水泥有限責任公司	RMB 270,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Huainan Conch Cement Co., Ltd. ("Huainan Conch") 淮南海螺水泥有限責任公司	RMB 160,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Yangchun Conch Cement Co., Ltd. ("Yangchun Conch") 陽春海螺水泥有限責任公司	RMB 180,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jining Conch Cement Co., Ltd. ("Jining Conch") 濟寧海螺水泥有限責任公司	RMB 235,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Qiyang Conch Cement Co., Ltd. ("Qiyang Conch") 祁陽海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Hunan Yiyang Conch Cement Co., Ltd. ("Yiyang Conch") 湖南益陽海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Nantong Jiuweigang Conch Cement Co., Ltd. ("Jiuweigang Conch") 南通九圩港海螺水泥有限責任公司	RMB 100,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Suzhou Conch Cement Co., Ltd. ("Suzhou Conch") 宿州海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Huangshan Conch Cement Co., Ltd. ("Huangshan Conch") 黃山海螺水泥有限責任公司	RMB 80,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Huazhou Conch Cement Co., Ltd. ("Huazhou Conch") 化州海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Wuhan Conch Cement Co., Ltd. ("Wuhan Conch") 武漢海螺水泥有限責任公司	RMB 50,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jianghua Conch Cement Co., Ltd. ("Jianghua Conch") 江華海螺水泥有限責任公司	RMB 266,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Jianghua Conch Plastic Packaging Co., Ltd. ("Jianghua Plastic") 江華海螺塑料包装有限責任公司	RMB 20,000,000	100%	100%	–	Manufacture and sale of cement packaging
Longling Conch 龍陵海螺水泥有限責任公司	RMB 225,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guangyuan Conch Plastic Packaging Co., Ltd. ("Guangyuan Plastic") 廣元海螺塑料包装有限責任公司	RMB 20,000,000	100%	100%	–	Manufacture and sale of cement packaging
Guigyang Conch 貴陽海螺盤江水泥有限責任公司	RMB 480,000,000	60%	50%	–	Manufacture and sale of clinker and cement products
Guiding Conch 貴定海螺盤江水泥有限責任公司	RMB 460,000,000	60%	50%	–	Manufacture and sale of clinker and cement products
Zunyi Conch 遵義海螺盤江水泥有限責任公司	RMB 530,000,000	60%	50%	–	Manufacture and sale of clinker and cement products
Yunnan Zhuangxiang Cement Co., Ltd. ("Zhuangxiang Conch") 雲南壯鄉水泥股份有限公司	RMB 50,000,000	100%	99%	1%	Manufacture and sale of clinkers and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Baoshan Conch Cement Co., Ltd. ("Baoshan Conch") 保山海螺水泥有限責任公司	RMB 300,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Sihegongmao 廣西四合工貿有限責任公司	RMB 120,000,000	80%	80%	–	Manufacture and sale of clinker and cement products
Anhui Conch Siam Refractory Material Co., Ltd. ("Refractory Material") 安徽海螺暹羅耐火材料有限公司	RMB 100,000,000	70%	70%	–	Manufacture and sale of refractory material
Tongren Conch Panjiang Cement Co., Ltd. ("Tongren Conch") 銅仁海螺盤江水泥有限責任公司	RMB 51,000,000	51%	51%	–	Manufacture and sale of clinker and cement products
Fenghuangshan 寶雞眾喜鳳凰山水泥有限公司	RMB 58,800,000	100%	100%	–	Manufacture and sale of clinker and cement products
Baoji Conch Cement Co., Ltd. ("Baoji Conch") 寶雞海螺水泥有限責任公司	RMB 50,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Jinlinghe 寶雞市眾喜金陵河水泥有限公司	RMB 112,376,000	100%	100%	–	Manufacture and sale of clinker and cement products
Qianxian Conch Cement Co., Ltd. ("Qianxian Conch") 乾縣海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guizhou Liukuangruian Cement Co., Ltd. ("Liukuangruian") 貴州六礦瑞安水泥有限公司	RMB 477,450,000	51%	51%	–	Manufacture and sale of clinker and cement products
Liangping Conch Cement Co., Ltd. ("Liangping Conch") 梁平海螺水泥有限責任公司	RMB 300,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Qianxinan Resource Development Co., Ltd. ("Qianxinan") 黔西南州發展資源開發有限公司	RMB 120,000,000	51%	51%	–	Manufacture and sale of clinker and cement products
Bazhong Conch Cement Co., Ltd. ("Bazhong Conch") 巴中海螺水泥有限責任公司	RMB 280,000,000/ 100,000,000	100%	100%	–	Not yet commenced operation

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Wenshan Conch Cement Co., Ltd. ("Wenshan Conch") 文山海螺水泥有限責任公司	RMB 280,000,000/ 100,000,000	100%	100%	–	Not yet commenced operation
Bozhou Conch Cement Co., Ltd. ("Bozhou Conch") 亳州海螺水泥有限責任公司	RMB 30,000,000	70%	70%	–	Manufacture and sale of clinker and cement products
Sichuan Nanwei Cement Co., Ltd. ("Nanwei Cement") 四川南威水泥 有限公司	RMB 168,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Zhenjiang Beigu Conch Cement Co., Ltd. ("Beigu Conch") 鎮江北固海螺水泥有限責任公司	RMB 50,000,000	80%	80%	–	Manufacture and sale of clinker and cement products
Hami Construction 哈密弘毅建材有限責任公司	RMB 100,000,000	80%	80%	–	Manufacture and sale of clinker and cement products
Guangxi Lingyun Tonghong Cement Co., Ltd. ("Lingyun Tonghong") 廣西淩雲通鴻水泥有限公司	RMB 80,000,000	80%	80%	–	Manufacture and sale of clinker and cement products
Maoming Dadi Cement Co., Ltd. ("Maoming Dadi") 茂名市大地水泥有限公司	RMB 60,000,000	67%	67%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The particulars of subsidiaries, which are limited liability companies established in the Republic of Indonesia, at 31 December 2012 are as follows (United States dollars referred to as "USD"):

Name of company	Particulars of issued capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
PT Conch Cement Indonesia ("Indonesia Conch") 印尼海螺水泥有限公司	USD 26,000,000	75%	75%	–	Not yet commenced operation
PT Conch South Kalimantan Cement ("Indonesia South Conch") 南加裡曼丹海螺水泥有限公司	USD 26,000,000	71.25%	–	95%	Not yet commenced operation

19 INTEREST IN ASSOCIATES

	The Group 2012 RMB'000	The Group 2011 RMB'000	The Company 2012 RMB'000	The Company 2011 RMB'000
Cost of interest in associates				
– listed in the PRC	**–**	–	**1,425,493**	–
– unlisted	**–**	–	**49,671**	157,429
Share of net assets	**1,429,054**	160,454	**–**	–
Goodwill	**439,320**	–	**–**	–
	1,868,374	160,454	**1,475,164**	157,429

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INTEREST IN ASSOCIATES (CONTINUED)

The particulars of the associates, all of which are operating in the PRC, at 31 December 2012 are as follows (United States dollars referred to as "USD"):

Name of associate	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Anhui King Bridge Cement Co., Ltd. ("King Bridge Cement") 安徽朱家橋水泥有限公司	USD 15,000,000	40%	40%	–	Manufacture and sale of cement related products
Xinjiang Qingsong Building Materials and Chemicals (Group) Co., Ltd. ("Qingsong Building Materials and Chemicals") 新疆青松建材化工(集團)股份有限公司(note(a))	RMB 689,395,043	20.08%	15.73%	4.35%	Manufacture and sale of building materials and chemicals products
Guangxi Fusui Conch Cement Co., Ltd. ("Fusui Conch") 廣西扶綏海螺水泥有限責任公司(note(b))	RMB 200,000,000	n/a	n/a	n/a	Liquidated
Guangxi Xingye Conch Cement Co., Ltd. ("Xingye Conch") 廣西興業海螺水泥有限責任公司(note(b))	RMB 200,000,000	n/a	n/a	n/a	Liquidated

(a) As at 31 December 2012, the interest in associates include the investment in Qingsong Building Materials and Chemicals, which is a listed company on the SSE, the PRC. In 2012, the Group, through the Company and Wuhu Conch, acquired 20.08% of the total issued share capital in Qingsong Building Materials and Chemicals for a total consideration of RMB1,820,893,000. The Company and Wuhu Conch paid RMB1,425,493,000 and RMB395,400,000 for the total consideration respectively. The acquisition was completed in November 2012.

(b) Xingye Conch and Fusui Conch were liquidated on 27 November 2012 and 14 December 2012 respectively.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 INTEREST IN ASSOCIATES (CONTINUED)

The particulars of the associates, all of which are operating in the PRC, at 31 December 2012 are as follows (United States dollars referred to as "USD") (continued):

Summary financial information on associates

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenue RMB'000	(Loss) /Profit after tax RMB'000
2012					
100 per cent	**9,242,527**	**3,474,870**	**5,767,657**	**1,003,189**	**(10,594)**
Group's effective interest	**2,127,847**	**698,793**	**1,429,054**	**214,312**	**(5,215)**
2011					
100 per cent	565,352	25,534	539,818	100,783	2,159
Group's effective interest	168,024	7,570	160,454	40,313	864

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

20 INTEREST IN JOINTLY CONTROLLED ENTITY

	The Group		The Company	
	2012	2010	**2012**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted shares, at cost	**–**	–	**179,347**	179,347
Share of net assets	**248,912**	238,219	**–**	–
	248,912	238,219	**179,347**	179,347

Details of the Group's interests in the jointly controlled entity, which is unlisted and operating in the PRC, at 31 December 2012 are as follows:

		Proportion of ownership interest			
Name of joint venture	Particulars of registered and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Anhui Conch Kawasaki Equipment Manufacturing Co.,Ltd. ("Conch Kawasaki Equipment") 安徽海螺川崎裝備製造有限責任公司	RMB348,000,000	50%	50%	–	Provision of installation and repair services of machinery

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

20 INTEREST IN JOINTLY CONTROLLED ENTITY

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

	2012	2011
	RMB'000	RMB'000
Non-current assets	**317,498**	83,508
Current assets	**205,550**	279,867
Current liabilities	**(298,934)**	(146,378)
Net assets	**224,114**	216,997
Income	**227,371**	371,601
Expenses	**(197,427)**	(321,935)
Profit for the year	**29,944**	49,666
Unrealised profit	**(47,558)**	(23,457)
Share of (loss)/profit of jointly controlled entity	**(17,614)**	26,209

21 LOANS AND RECEIVABLES

	The Group		**The Company**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Loans and receivables	**535,134**	586,726	**5,340,000**	300,000
Less: current portion of loans and receivables (note 26)	**(220,685)**	(245,866)	**–**	–
	314,449	340,860	**5,340,000**	300,000

As at 31 December 2012, loans and receivables of the Group represent advances made to local government authorities of which RMB366,550,000 (2011: RMB350,500,000) are unsecured, bear interest at rates of 5.40%~7.65% (2011: 5.40% to 7.56%) per annum, and repayable in 2013 to 2016. The remaining balance of RMB168,584,000 (2011: RMB236,226,000) is unsecured, interest free and repayable in 2013.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

21 LOANS AND RECEIVABLES (CONTINUED)

As at 31 December 2012, loans and receivables of the Company represent loans to subsidiaries, which bear interest at a rate of 4.90%~6.31% per annum and are repayable from 2015 to 2022.

22 AVAILABLE-FOR-SALE EQUITY SECURITIES

	The Group and the Company	
	2012	2011
	RMB'000	RMB'000
Available-for-sale equity securities		
– listed in the PRC	**3,297,305**	3,578,852

All available-for-sale equity securities held by the Group and the Company are listed either on SSE or the Shenzhen Stock Exchange ("SZSE"). The fair value of these investments is measured with reference to the respective quoted market prices as at 31 December 2012.

23 INVENTORIES

(a) Inventories in the statement of financial position comprise:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Raw materials	**1,674,245**	2,248,602	**178,471**	167,036
Work in progress	**196,537**	171,135	**3,671**	3,891
Finished goods	**1,766,104**	1,617,058	**63,792**	37,210
Spare parts	**401,652**	341,628	**111,528**	82,833
	4,038,538	4,378,423	**357,462**	290,970

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

23 INVENTORIES

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

	The Group	
	2012	2011
	RMB'000	RMB'000
Carrying amount of inventories recognised as expenses	**32,649,598**	28,907,033

24 OTHER INVESTMENTS

	The Group and the Company	
	2012	2011
	RMB'000	RMB'000
Listed equity securities at fair value – listed in the PRC	**106,324**	75,897

All trading securities held by the Group are listed on the SSE. The fair value of these investments is measured with reference to the respective quoted market prices as at 31 December 2012.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

25 TRADE RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**229,452**	351,808	**12,526**	24,175
Less: allowance for doubtful debts (note 25(b))	**(9,858)**	(9,898)	**(434)**	(434)
	219,594	341,910	**12,092**	23,741
Bank acceptance notes receivable	**8,150,262**	10,596,838	**1,430,363**	2,209,068
Commercial acceptance notes receivable	**19,223**	–	**–**	–
	8,389,079	10,938,748	**1,442,455**	2,232,809

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

(a) Ageing analysis

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current or overdue within 60 days (inclusive)	**8,389,079**	10,938,748	**1,442,455**	2,232,809

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

25 TRADE RECEIVABLES (CONTINUED)

(a) Ageing analysis (continued)

(i) (continued)

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

Further details on the Group's credit policy are set out in note 40(a).

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year (inclusive)	**8,389,079**	10,938,748	**1,442,455**	2,232,809

(b) Impairment of trade debtors and notes receivable

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

25 TRADE RECEIVABLES (CONTINUED)

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

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**9,898**	9,940	**434**	434
Impairment loss reversed	**(40)**	(42)	**–**	–
At 31 December	**9,858**	9,898	**434**	434

At 31 December 2012, none of the Group's and the Company's trade receivables were individually determined to be impaired (2011: Nil).

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

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Neither past due nor impaired	**8,376,799**	10,883,565	**1,442,191**	2,232,628
Overdue within 60 days (inclusive)	**12,280**	55,183	**264**	181
	8,389,079	10,938,748	**1,442,455**	2,232,809

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

25 TRADE RECEIVABLES (CONTINUED)

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

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

26 PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Purchase prepayments	**667,913**	609,910	**110,317**	141,308
Current portion of loans and receivables (note 21)	**220,685**	245,866	**–**	–
Entrusted loans to third parties	**–**	750,000	**–**	750,000
Loans and receivables to – related parties	**223,250**	–	**200,000**	–
Loans and receivables to – subsidiaries	**–**	–	**6,145,000**	6,045,000
Value-added tax recoverable and other tax prepayment	**921,210**	581,097	**61,709**	–
Interest receivable	**1,652**	34,757	**527,235**	223,054
Forward exchange contracts used for economic hedges	**2,034**	1,406	**–**	–
Other receivables	**197,890**	181,163	**52,995**	12,741
	2,234,634	2,404,199	**7,097,256**	7,172,103

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

27 AMOUNTS DUE FROM/TO SUBSIDIARIES

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

28 AMOUNTS DUE FROM/TO RELATED PARTIES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due from:				
Anhui Conch Kawasaki Engineering Co., Ltd. ("Conch Kawasaki Engineering") 安徽海螺川崎工程有限公司	**202,126**	208,961	**–**	–
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	**81,077**	21,850	**2**	–
Conch Kawasaki Equipment	**219,468**	140,692	**–**	1,371
Yingde Dragon Mountain Cement Co., Ltd. ("Dragon Mountain") 英德龍山水泥有限責任公司	**2,175**	3,245	**877**	2,603
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	**333**	145	**–**	–
Wuhu Conch Venture Property Investment Co., Ltd. ("Conch Venture Property") 蕪湖海創置業有限責任公司	**8**	7,684	**–**	7,684
Anhui Conch Construction Materials Design Centre ("Conch Design") 安徽海螺建材設計院	**1,541**	1,905	**250**	360
Wuhu Sanshan Conch Port Co., Ltd. ("Sanshan Port") 蕪湖三山海螺港務有限公司	**–**	19	**–**	–

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

28 AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due from:				
Yangzhou Haichang Port Industrial Co., Ltd. ("Haichang Port") 揚州海昌港務實業有限責任公司	**4,781**	–	**–**	–
Chongqing Gaolin Building Material Co., Ltd. ("Gaolin Building Material") 重慶高林建材有限公司	**237**	–	**–**	–
Debao Haibao Cement Co., Ltd. ("Haibao Cement") 德保縣海寶水泥有限責任公司	**3,201**	–	**–**	–
Jiande Chengli Building Material Co., Ltd. ("Chengli Building Material") 建德市成利建材有限公司	**7,383**	–	**–**	–
Wuhu Conch New Materials Co., Ltd. ("Conch New Materials") 蕪湖海螺新材料有限公司	**–**	5	**–**	–
	522,330	384,506	**1,129**	12,018

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

28 AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due to:				
Conch Kawasaki Engineering	**40,495**	93,645	**–**	1,355
Conch Kawasaki Energy Conservation	**91,623**	92,205	**6,304**	–
Xingye Conch	**–**	56,800	**–**	56,800
Fusui Conch	**–**	41,373	**–**	41,373
Conch Kawasaki Equipment	**112,690**	20,842	**2,827**	3,125
Sanshan Port	**10,889**	8,565	**–**	–
Dragon Mountain	**698**	2,289	**–**	–
Conch New Materials	**1,847**	1,984	**276**	283
Conch Design	**2,272**	10,209	**140**	34
Conch Profiles and Science	**1,894**	1,335	**95**	–
Anhui Conch Information Technology Engineering Co., Ltd. ("Conch Information") 安徽海螺信息技術工程有限責任公司	**2,363**	–	**200**	–
Gaolin Building Material	**666**	–	**–**	–
Conch Property Management Co., Ltd. ("Conch Property Management") 蕪湖海螺物業管理有限公司	**42**	40	**–**	–
Anhui Conch Holdings Co., Ltd. ("Conch Holdings") 安徽海螺集團有限責任公司	**5,427**	7,423	**–**	59
	270,906	336,710	**9,842**	103,029

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

29 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank deposits with maturity within three months	**1,630,000**	833,454	**1,600,000**	670,000
Cash at bank and in hand	**6,480,974**	6,913,734	**4,218,990**	4,843,296
Cash and cash equivalents in the statement of financial position and consolidated cash flow statement	**8,110,974**	7,747,188	**5,818,990**	5,513,296

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

29 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Note	2012 RMB'000	2011 RMB'000
Profit before taxation		**8,125,697**	15,699,292
Adjustments for:			
Depreciation	7(c)	**3,115,422**	2,467,316
Reversal of impairment loss on trade and other receivables	7(c)	**(75)**	(64)
Impairment of property, plant and equipment	7(c)	**–**	5,546
Amortisation of interest in leasehold land held for own use under operating leases	7(c)	**69,541**	45,268
Amortisation of intangible assets	7(c)	**90,983**	58,473
Finance costs	7(a)	**1,136,577**	874,630
Interest income	6	**(137,722)**	(228,219)
Share of losses/(profits) of associates		**5,215**	(864)
Share of losses/(profits) of jointly controlled entity	20	**17,614**	(26,209)
Net gain on disposal of fixed assets and lease prepayments	6	**(22,743)**	(30,951)
Net realised and unrealised (gains)/losses on disposal of trading securities	6	**(1,227)**	2,922
Changes in fair value of forward contracts	6	**(628)**	347
Reclassification from equity on disposal of available-for-sale equity securities	6	**(24,246)**	(22,748)
Remeasurement to fair value of pre-existing interests in jointly controlled entities	6	**–**	(62,595)
Dividend income from listed securities	6	**(4,420)**	–
Loss on disposal of associates		**873**	–
Bargain purchase gain	4	**(8,924)**	(1,035)
Before changes in working capital carried forward		**12,361,937**	18,781,109

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

29 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	2012	2011
	RMB'000	RMB'000
Before changes in working capital brought forward	**12,361,937**	18,781,109
Changes in working capital:		
Decrease/(increase) in inventories	**446,216**	(1,677,761)
Decrease/(increase) in trade receivables	**2,561,439**	(4,494,423)
(Increase)/decrease in prepayments and other receivables	**(333,328)**	236,184
(Increase)/decrease in amounts due from related parties	**(15,320)**	13,770
(Decrease)/increase in trade payables	**(177,050)**	434,080
(Decrease)/increase in other payables and accruals	**(370,564)**	315,402
(Decrease)/increase in amounts due to related parties	**(93,757)**	3,705
Decrease in long-term payables	**(100,401)**	(11,043)
Increase in deferred income	**2,880**	4,678
Cash generated from operations	**14,282,052**	13,605,701

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

30 TRADE PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**5,119,852**	5,037,909	**1,418,130**	1,016,945
Notes payable	**14,000**	41,000	**–**	–
	5,133,852	5,078,909	**1,418,130**	1,016,945

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year (inclusive)	**5,064,731**	5,026,586	**1,417,797**	1,012,852
Between 1 year and 2 years (inclusive)	**64,220**	47,927	**333**	4,027
Between 2 years and 3 years (inclusive)	**2,298**	1,696	**–**	66
Over 3 years	**2,603**	2,700	**–**	–
	5,133,852	5,078,909	**1,418,130**	1,016,945

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

31 OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Construction cost payables	**1,927,558**	2,151,563	**23,063**	19,400
Receipts in advance from customers	**985,041**	900,597	**94,471**	113,010
Deposits from suppliers	**430,147**	389,271	**59,119**	53,603
Retention moneys	**504,223**	779,736	**3,399**	5,575
Expense accruals	**154,474**	135,378	**11,556**	9,701
Value-added tax payables	**64,904**	221,046	**–**	41,020
Other taxes payables	**198,718**	176,492	**43,073**	23,951
Payables for limestone mining rights	**5,000**	8,031	**–**	–
Payables for clay mining rights	**–**	1,953	**–**	–
Interest payable	**368,478**	313,840	**349,876**	304,869
Payables for acquisition of subsidiaries	**417,733**	878,054	**203,444**	70,548
Payroll payables	**505,091**	430,789	**51,218**	56,231
Other payables	**144,578**	253,780	**16,496**	17,572
	5,705,945	6,640,530	**855,715**	715,480

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

32 NON-CURRENT BANK LOANS AND OTHER BORROWINGS

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans (note 34)				
– secured	**–**	119,500	**–**	–
– unsecured	**2,913,115**	3,727,250	**149,000**	200,000
Loans from Conch Holdings				
– unsecured (note (b)(i))	**2,020,000**	5,200,000	**–**	40,000
Unsecured debentures (note (b)(ii))	**15,467,428**	9,465,640	**15,467,428**	9,465,640
Other borrowings				
– secured (note (b)(iii))	**650,000**	650,000	**650,000**	650,000
– unsecured (note (b)(iv))	**29,091**	76,364	**–**	–
	21,079,634	19,238,754	**16,266,428**	10,355,640

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

(i) Loans from Conch Holdings bear interest at fixed rates of 4.69% to 5.78% (2011: 4.69% to 5.78%) per annum. The loans are unsecured and repayable starting March 2014.

(ii) In November 2012, the Company issued corporate bonds with an aggregate principal amount of RMB6,000,000,000 of which RMB2,500,000,000 with a maturity period of 5 years ("5-year bond") and RMB3,500,000,000 with a maturity period of 10 years ("10-year bond"). The 5-year bond and the 10-year bond carry fixed annual interest rate of 4.89% and 5.10% respectively, which will be paid annually. The principal of the 5-year bond is fully repayable on 7 November 2017 and the 10-year bond is fully repayable on 7 November 2022.

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

(iii) Other secured borrowings of the Group and the Company are provided by the International Finance Corporation ("IFC"). The loan bears interest at a rate of 5.32% (2011: 5.32%) per annum and is repayable in September 2015. At 31 December 2012, the loan was secured by property, plant and equipment of the Group with carrying amount of RMB392,866,000 (2011: RMB420,302,000) and leasehold land held for own use under operating leases of the Group with carrying amount of RMB173,985,000 (2011: RMB182,431,000). The loan is subject to various financial covenants that are reported to IFC on a yearly basis.

(iv) Other unsecured borrowings were national debt loan (國債轉貸) provided by the Anhui Finance Bureau. The loan bears interest at a rate of 3.36% (2011: 2.55%) per annum and is repayable in June 2017.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

33 CURRENT BANK LOANS AND OTHER BORROWINGS

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans (note 34)				
– secured	**–**	80,800	**–**	–
– unsecured	**2,651,154**	3,109,000	**631,000**	450,000
Other borrowings	**7,273**	7,273	**–**	–
	2,658,427	3,197,073	**631,000**	450,000

At 31 December 2012, other borrowings of the Group represent national debt loan (國債轉貸) provided by the Anhui Finance Bureau (2011: RMB7,273,000).

As at 31 December 2012, there were no outstanding discounted bills with recourse (2011: Nil).

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

34 BANK LOANS

At 31 December 2012, the bank loans were repayable as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year or on demand (note 33)	**2,651,154**	3,189,800	**631,000**	450,000
After 1 year but within 2 years	**941,600**	1,535,000	**102,000**	100,000
After 2 years but within 5 years	**1,671,515**	2,291,750	**47,000**	100,000
After 5 years	**300,000**	20,000	**–**	–
Total non-current bank loans (note 32(a))	**2,913,115**	3,846,750	**149,000**	200,000
	5,564,269	7,036,550	**780,000**	650,000

At 31 December 2012, unsecured bank loans of the Group and the Company totalling RMB604,000,000 (2011: RMB2,757,000,000) and RMB Nil (2011: RMB50,000,000) respectively were guaranteed by Conch Holdings. Unsecured bank loans of the Group totalling RMB250,000,000 (2011: Nil) was guaranteed by Guizhou Panjiang Investment Holdings ("Panjiang Investment"). Panjiang Investment is the non-controlling shareholder of Zunyi Conch, Tongren Conch, Guiyang Conch and Guiding Conch.

At 31 December 2012, total banking facilities of the Group amounted to RMB59,886,700,000 (2011: RMB59,890,280,000). These facilities were utilised to the extent of RMB6,308,620,000 (2011: RMB7,887,530,000) as at the statement of financial position date.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

35 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Provision for PRC Corporate Income Tax for the year	**1,703,170**	3,891,918	**65,805**	281,898
PRC Corporate Income Tax paid	**(1,160,090)**	(2,278,596)	**(65,745)**	(66,574)
	543,080	1,613,322	**60**	215,324
Balance of PRC Corporate Income Tax provision relating to prior years	**–**	–	**–**	–
	543,080	1,613,322	**60**	215,324
Representing:				
Tax recoverable	**(96,965)**	(10,371)	**–**	–
Tax payable	**640,045**	1,623,693	**60**	215,324
	543,080	1,613,322	**60**	215,324

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

35 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

(i) The Group

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

	Allowances and impairment RMB'000	Unrealised profits (note) RMB'000	Arising from business combination RMB'000	Tax losses RMB'000	Provisions RMB'000	Fair value change of available-for-sale equity securities RMB'000	Fair value change of derivatives and trading securities RMB'000	Total RMB'000
Deferred tax arising from:								
At 1 January 2011	(25,553)	(51,856)	19,061	(10,374)	(2,792)	513,274	419	442,179
Charged/(credited) to income statement	10,250	13,779	(2,551)	(8,812)	1,476	–	(3,705)	10,437
Arising from acquisitions	–	–	122,480	–	–	–	–	122,480
Charged to reserves	–	–	–	–	–	(232,889)	–	(232,889)
At 31 December 2011	(15,303)	(38,077)	138,990	(19,186)	(1,316)	280,385	(3,286)	342,207
At 1 January 2012	**(15,303)**	**(38,077)**	**138,990**	**(19,186)**	**(1,316)**	**280,385**	**(3,286)**	**342,207**
Charged/(credited) to income statement	**101**	**(38,163)**	**(6,627)**	**(20,657)**	**566**	**-**	**677**	**(64,103)**
Arising from acquisitions	**-**	**-**	**39,118**	**-**	**-**	**-**	**-**	**39,118**
Charged to reserves	**-**	**-**	**-**	**-**	**-**	**(130,821)**	**-**	**(130,821)**
At 31 December 2012	**(15,202)**	**(76,240)**	**171,481**	**(39,843)**	**(750)**	**149,564**	**(2,609)**	**186,401**

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

35 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

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

(ii) The Company

The components of deferred tax assets recognised in the Company's statement of financial position and the movements during the year are as follows:

	Allowances and impairment RMB'000	Fair value change of available-for-sale equity securities RMB'000	Fair value change of trading securities RMB'000	Total RMB'000
Deferred tax arising from:				
At 1 January 2011	(9,633)	513,274	–	503,641
Credited to the income statement	6,951	–	(3,635)	3,316
Charged to reserves	–	(232,889)	–	(232,889)
At 31 December 2011	(2,682)	280,385	(3,635)	274,068
At 1 January 2012	**(2,682)**	**280,385**	**(3,635)**	**274,068**
Credited to the income statement	**–**	**–**	**518**	**518**
Charged to reserves	**–**	**(130,821)**	**–**	**(130,821)**
At 31 December 2012	**(2,682)**	**149,564**	**(3,117)**	**143,765**

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

35 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

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

(iii) Reconciliation to the statement of financial position

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net deferred tax assets recognised on the statement of financial position	**(160,441)**	(103,548)	**–**	–
Net deferred tax liabilities recognised on the statement of financial position	**346,842**	445,755	**143,765**	274,068
	186,401	342,207	**143,765**	274,068

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

36 LONG-TERM PAYABLES

	The Group	
	2012	2011
	RMB'000	RMB'000
Compensation payable (note (a))	**17,088**	17,474
Acquisition cost of mining rights payable (note (b))	**392,000**	441,000
Others	**–**	1,799
	409,088	460,273
Less: Current portion of compensation payable (note (a))	**(5,152)**	(6,179)
Current portion of acquisition cost of mining rights payable (note (b))	**(49,000)**	(49,000)
	354,936	405,094

Notes:

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

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

At 31 December 2012, the total remaining obligations in relation to the above agreements amounted to RMB17,088,000 (2011: RMB17,474,000). Compensation payable of RMB5,152,000 (2011: RMB6,179,000) is expected to be settled within the next year.

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

37 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2012, the Group had obligations under finance leases repayable as follows:

	The Group			
	2012		2011	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**57,996**	**60,156**	59,228	64,048
After 1 year but within 2 years	**–**	**–**	58,878	61,037
	57,996	**60,156**	118,106	125,085
Less: total future interest expenses		**(2,160)**		(6,979)
Present value of lease obligations		**57,996**		118,106

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

38 DEFERRED INCOME

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**414,787**	410,109	**31,399**	34,534
Government grant received (note(a))	**43,077**	53,970	**–**	–
Recognised in the income statement	**(40,197)**	(49,292)	**(3,135)**	(3,135)
At 31 December	**417,667**	414,787	**28,264**	31,399

Notes:

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

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2011		3,532,868	18,345,790	217,270	1,141,884	1,539,821	6,735,680	31,513,313
Changes in equity for 2011:								
Total comprehensive income		-	-	-	-	(698,668)	6,561,708	5,863,040
Dividends approved in respect of the previous year	39(b)	-	-	-	-	-	(1,059,861)	(1,059,861)
Capitalisation issue	39(c)(ii)	1,766,435	(1,766,435)	-	-	-	-	-
Appropriations to reserves for current year profit		-	-	-	660,910	-	(660,910)	-
Balance at 31 December 2011		**5,299,303**	**16,579,355**	**217,270**	**1,802,794**	**841,153**	**11,576,617**	**36,316,492**
Changes in equity for 2012:								
Total comprehensive income		**-**	**-**	**-**	**-**	**(392,463)**	**9,605,931**	**9,213,468**
Dividends approved in respect of the previous year	39(b)	**-**	**-**	**-**	**-**	**-**	**(1,854,756)**	**(1,854,756)**
Appropriations to reserves for current year profit	39(d)(iii)	**-**	**-**	**-**	**846,860**	**-**	**(846,860)**	**-**
Balance at 31 December 2012		**5,299,303**	**16,579,355**	**217,270**	**2,649,654**	**448,690**	**18,480,932**	**43,675,204**

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2012 **RMB'000**	2011 RMB'000
Final dividend proposed after the statement of financial position date of RMB0.25 (2011: RMB0.35) per ordinary share	**1,324,826**	1,854,756

The final dividend proposed after the statement of financial position date has not been recognised at the statement of financial position date.

The above proposed 2012 dividends were pending for shareholders' approval.

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

	2012 **RMB'000**	2011 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.35 (2011: RMB0.30) per ordinary share	**1,854,756**	1,059,861

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

(i) Registered and issued share capital

	2012		2011	
	No. of shares ('000)	Amount RMB'000	No. of shares ('000)	Amount RMB'000
Registered:				
H shares of RMB1 each	**1,299,600**	**1,299,600**	1,299,600	1,299,600
A shares of RMB1 each	**3,999,703**	**3,999,703**	3,999,703	3,999,703
	5,299,303	**5,299,303**	5,299,303	5,299,303
Issued and fully paid:				
H shares of RMB1 each	**1,299,600**	**1,299,600**	1,299,600	1,299,600
A shares of RMB1 each	**3,999,703**	**3,999,703**	3,999,703	3,999,703
	5,299,303	**5,299,303**	5,299,303	5,299,303

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

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

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(i) Registered and issued share capital (continued)

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

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

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(i) Registered and issued share capital (continued)

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

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

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

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

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

(ii) Capitalisation issue

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital reserve

The capital reserve comprises the following:

- the differences between the cost of acquisition of non-controlling interests in subsidiaries and the carrying amount of the net assets additionally acquired;
- cash contributed by Conch Holdings; and
- revaluation gain on lease prepayments.

(iii) Statutory surplus reserve

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

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(iii) Statutory surplus reserve

For the year ended 31 December 2012, the subsidiaries of the Company appropriated the statutory surplus reserve in accordance with the articles of association. The directors have recommended that RMB846,860,000 of the statutory net profit of the Company, as determined under PRC accounting standards, where applicable, be appropriated to the statutory surplus reserve. The balance of the statutory surplus reserve of the Company reached 50% of the registered capital of the Company after appropriation of the statutory net profit of the Company.

(iv) Fair value reserve

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

(v) Retained earnings

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

(e) Distributability of reserves

At 31 December 2012, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB18,480,932,000 (2011: RMB11,576,617,000).

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio which is total liabilities divided by total assets.

During 2012, the Group's strategy, which was unchanged from 2011, was to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2012 was 42% (2011: 45%). In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Other than the Company's other borrowings (secured) of RMB650,000,000 provided by the International Finance Corporation (see note 32(b)(iii)), neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place to ensure that sales of products are made to customers with an appropriate credit history and the exposures to these credit risks are monitored on an ongoing basis. In addition, the Group normally receives deposits from customers before delivery of products.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-60 days from the date of billing, except for retention money in respect of certain sales contracts which is due upon the expiry of the retention period. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long-term strategic purposes. Transactions involving derivative financial instruments are with counterparties of sound credit standing and with whom the Group has a signed netting agreement. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the statement of financial position date, 34% (2011: 23%) of the total trade receivables was due from the Group's five largest customers; 14% (2011: 46%) of total other receivables related to the Group's five largest items of other receivables, including advances made to local government authorities of RMB70,000,000 (2011: Entrusted loan of RMB750,000,000) being the largest item.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (continued)

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in notes 25 and 26.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, but the borrowings are subject to approval by the parent company's management. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the statement of financial position date of the Group's and the Company's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the statement of financial position date) and the earliest date the Group and the Company can be required to pay:

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Group

	2012 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	carrying amount RMB'000
Trade payables	5,133,852	-	-	-	5,133,852	5,133,852
Other payables and accruals	5,705,944	-	-	-	5,705,944	5,705,944
Bank loans and other borrowings	3,823,632	3,958,213	14,021,418	7,343,456	29,146,719	23,738,061
Amounts due to related parties	270,906	-	-	-	270,906	270,906
Long term payables	57,244	67,120	184,103	211,930	520,397	409,088
Obligations under finance leases	60,156	-	-	-	60,156	57,996
	15,051,734	4,025,333	14,205,521	7,555,386	40,837,974	35,315,847

The Group

	2011 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	carrying amount RMB'000
Trade payables	5,078,909	–	–	–	5,078,909	5,078,909
Other payables and accruals	6,640,530	–	–	–	6,640,530	6,640,530
Bank loans and other borrowings	4,385,678	6,054,503	13,299,793	2,788,818	26,528,792	22,435,827
Amounts due to related parties	336,710	–	–	–	336,710	336,710
Long term payables	58,393	66,029	186,484	294,015	604,921	460,273
Obligations under finance leases	64,048	61,037	–	–	125,085	118,106
	16,564,268	6,181,569	13,486,277	3,082,833	39,314,947	35,070,355

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Company

	2012 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	carrying amount RMB'000
Trade payables	1,418,130	–	–	–	1,418,130	1,418,130
Other payables and accruals	855,715	–	–	–	855,715	855,715
Bank loans and other borrowings	1,470,058	926,868	12,226,606	7,022,500	21,646,032	16,897,428
Amounts due to subsidiaries	5,416,555	–	–	–	5,416,555	5,416,555
Amounts due to related parties	9,842	–	–	–	9,842	9,842
	9,170,300	926,868	12,226,606	7,022,500	29,346,274	24,597,670

The Company

	2011 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	carrying amount RMB'000
Trade payables	1,016,945	–	–	–	1,016,945	1,016,945
Other payables and accruals	715,480	–	–	–	715,480	715,480
Bank loans and other borrowings	1,007,284	679,497	9,287,874	2,760,000	13,734,655	10,805,640
Amounts due to subsidiaries	6,993,030	–	–	–	6,993,030	6,993,030
Amounts due to related parties	103,029	–	–	–	103,029	103,029
	9,835,768	679,497	9,287,874	2,760,000	22,563,139	19,634,124

As shown in the above analysis, bank loans and other borrowings of the Group and the Company amounting to RMB3,823,632,000 and RMB1,470,058,000 respectively were due to be repaid during 2013.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings and long-term payables. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value risk respectively. The interest rates and terms of repayment of the Group's and the Company's borrowings are disclosed in notes 32, 33 and 34. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings and long-term payables at the statement of financial position date.

	The Group				The Company			
	2012		2011		**2012**		2011	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000	**Effective interest rate %**	**RMB'000**	Effective interest rate %	RMB'000
Net fixed rate borrowings:								
Bank loans	**1.48%~6.23%**	**995,519**	5.23%~10.44%	845,800	**5.26%~5.90%**	**530,000**	5.23%~6.56%	400,000
Other borrowings	**4.69%~5.78%**	**18,137,428**	4.69%~6.90%	15,355,640	**4.89%~5.32%**	**16,117,428**	4.83%~5.32%	10,155,640
Less: Loans and receivables	**5.76%~7.65%**	**(196,000)**	6.56%~6.90%	(246,000)	**4.50%~6.31%**	**(5,340,000)**	6.31%	(300,000)
Prepayments and other receivables	**5.40%~7.74%**	**(393,800)**	6.56%~8.50%	(854,500)	**6.00%/6.56%**	**(6,345,000)**	6.31%~8.50%	(6,795,000)
Restricted cash deposits	**2.25%~5.10%**	**(81,831)**	3.10%	(5,000)	**2.25%~5.10%**	**(76,653)**	3.10%	(5,000)
Bank deposits with maturity over three months	**3.05%**	**(14,000)**	3.30%~3.50%	(221,624)	**-**	**-**		
Cash and cash equivalents	**2.86%~3.14%**	**(1,630,000)**	3.10%~3.50%	(833,454)	**2.86%~3.14%**	**(1,600,000)**	3.10%	(670,000)
		16,817,316		14,040,862		**3,285,775**		2,785,640
Variable rate borrowings:								
Bank loans	**3.36%~6.35%**	**4,568,750**	5.27%~7.59%	6,190,750	**4.86%~5.99%**	**440,000**	5.04%~5.80%	250,000
Other borrowings	**5.35%**	**36,364**	2.55%	43,637	**-**	**-**		-
Long-term payables	**6.00%/6.55%**	**392,000**	6.56%/7.05%	441,000	**-**	**-**		-
Less: Restricted cash deposits	**0.35%**	**(26,900)**	0.50%	(53,994)	**0.35%**	**(3,118)**	0.50%	(3,789)
Cash and cash equivalents	**0.35%~1.49%**	**(6,480,692)**	0.50%~1.31%	(6,913,456)	**0.35%~1.15%**	**(4,215,872)**	0.50%~1.31%	(4,763,837)
		(1,510,478)		(292,063)		**(3,778,990)**		(4,517,626)
Total net borrowings		**15,306,838**		13,748,799		**(493,215)**		(1,731,986)

The interest rate of the variable rate borrowings of the Group and the Company is based on the base rate announced by the People's Bank of China.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB31,061,000 (2011: RMB27,700,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the statement of financial position date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the statement of financial position date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the statement of financial position date, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2011.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars. The Group manages this risk as follows:

(i) Forecast transaction

At 31 December 2012, the Group had forward exchange contracts hedging forecast transactions with a fair value of RMB2,034,000 (2011: RMB1,406,000), recognised as derivative financial instruments.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(ii) Recognised assets and liabilities

In respect of trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(iii) Exposure to currency risk

The following table details the Group's exposure at the statement of financial position date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

The Group

	Exposure to foreign currencies (expressed in RMB'000)	
	2012	2011
	USD	USD
Trade receivables	**72,767**	23,611
Cash and cash equivalents	**42,272**	64,404
Bank loans and other borrowings	**(125,710)**	–
Other payables and accruals	**(50,798)**	(18,189)
Gross exposure arising from recognised assets and liabilities	**(61,469)**	69,826
Notional amounts of forward exchange contracts used as economic hedges	**(270,277)**	(434,762)
Net exposure arising from recognised assets and liabilities	**(331,746)**	(364,936)

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(iv) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the statement of financial position date had changed at that date, assuming all other risk variables remained constant.

The Group

	2012		2011	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits** RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
USD	**1%**	**2,488**	1%	2,737

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the statement of financial position date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the statement of financial position date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2011.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk

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

The Group and the Company mitigate the risk associated with investments in equity securities by making strategic investment with its disposable fund pursuant to the authorisation of the board of directors, and by limiting the investment to certain listed domestic cement companies with considerable scale, competitive advantage and development potential.

The scale of such investment is controlled under a reasonable cap, and investment strategies are designed collectively by the Group based on securities market conditions and the corporate governance of the targeted companies.

In compliance with PRC laws and regulations and based on the Group's investment strategy, investments in equity securities are classified as available-for-sale securities and securities held for trading, which are then monitored and managed under these classifications respectively.

For investments classified as available-for-sale securities, the Group observes the invested companies' operation and development, and seeks to obtain an understanding of their business management through participation in their shareholder's meetings.

For investments classified as securities held for trading, the Group closely monitors changes in state and local policies, the development of the invested companies' business and changes in the securities market, and thereby seeks to attain capital gain by trading accordingly.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk (continued)

It is estimated that an increase/decrease of 1% (2011: 1%) in the respective quoted share prices of these securities, with all other variables held constant, would have increased/reduced the Group's retained profits and fair value reserve as follows:

The Group and the Company

	2012			2011		
		Effect on profit after tax and retained profits RMB'000	Effect on fair value reserve RMB'000		Effect on profit after tax and retained profits RMB'000	Effect on fair value reserve RMB'000
Change in quoted share price						
Increase	**1%**	**813**	**24,730**	1%	569	26,841
Decrease	**(1%)**	**(813)**	**(24,730)**	(1%)	(569)	(26,841)

The sensitivity analysis indicates the instantaneous change in the Group's retained profits and fair value reserve that would arise assuming that the changes in the respective quoted share prices had occurred at the statement of financial position date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the statement of financial position date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant share price, that none of the Group's available-for-sale investments would be considered impaired as a result of the short term fluctuation of the relevant share price, and that all other variables remain constant. The analysis is performed on the same basis for 2011.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the statement of financial position date across the three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values (continued)

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

The Group

	2012			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Prepayments and other receivables	–	2,034	–	2,034
Other investments	106,324	–	–	106,324
Available-for-sale equity securities:				
– Listed	3,297,305	–	–	3,297,305
	3,403,629	2,034	–	3,405,663

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values (continued)

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

The Company

	2012			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Other investments	**106,324**	**–**	**–**	**106,324**
Available-for-sale equity securities:				
– Listed	**3,297,305**	**–**	**–**	**3,297,305**
	3,403,629	**–**	**–**	**3,403,629**

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

During the year ended 31 December 2012, there were no significant transfers between financial instruments in level 1 and level 2.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values (continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 2011 except as follows:

	2012		2011	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
The Group:				
Current bank loans and other borrowings	**2,658,427**	**2,644,473**	3,197,073	3,181,494
Long-term payables	**354,936**	**342,000**	463,972	443,700
Non-current bank loans and other borrowings	**21,079,634**	**21,267,590**	19,238,754	19,091,126
	24,092,997	**24,254,063**	22,899,799	22,716,320

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values (continued)

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

The carrying amounts of the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 2011 except as follows:

	2012		2011	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
The Company:				
Current bank loans and other borrowings	**631,000**	**630,560**	450,000	448,827
Non-current bank loans and other borrowings	**16,266,428**	**16,509,675**	10,355,640	10,361,469
	16,897,428	**17,140,235**	10,805,640	10,810,296

(g) Estimation of fair values

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

(i) Securities

Fair value is based on quoted market prices at the statement of financial position date without any deduction for transaction costs for those investments in unrestricted A shares on the SSE and SZSE as at 31 December 2012.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(g) Estimation of fair values (continued)

(ii) Derivatives

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

(iii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments, or based on the quoted market prices at the statement of financial position date without any deductions for transaction costs if available.

(iv) Financial guarantees

Financial guarantees were issued by the Company to its subsidiaries for bank loans. The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. As the interest rate differential on the interest rate of the guaranteed and non-guaranteed bank loans is insignificant, the fair value of the financial guarantees issued was negligible.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(g) Estimation of fair values (continued)

(v) Interest rates used for determining fair value

The entity uses the market rate of bank loans as of 31 December 2012 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2012	2011
Bank loans and other borrowings	**5.54%-6.55%**	5.90%~7.05%
Loans and receivables	**6.00%-6.55%**	6.10%~7.05%

41 COMMITMENTS

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

	The Group		**The Company**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contracted for	**2,205,920**	2,805,495	**25,894**	12,411
Authorised but not contracted for	**5,707,262**	8,222,401	**–**	–
	7,913,182	11,027,896	**25,894**	12,411

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

41 COMMITMENTS (CONTINUED)

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year (inclusive)	**1,920**	7,347	**–**	5,484
After 1 year but within 5 years (inclusive)	**8,259**	8,028	**–**	–
After 5 years	**151,818**	153,969	**–**	–
Total	**161,997**	169,344	**–**	5,484

(c) As disclosed in note 43(b) (xi), the Company is committed to pay trademark licence fees to Conch Holdings at RMB1,513,000 (2011: RMB1,513,000) per annum. The licence agreement does not indicate an expiry date of the agreement.

42 CONTINGENT LIABILITIES

At 31 December 2012, the Company has issued guarantees to banks in respect of bank loans of its subsidiaries amounting to RMB3,342,269,000 (2011: RMB3,159,250,000). The directors do not consider it probable that a claim will be made against the Company under any of these guarantees.

At 31 December 2012, outstanding letters of credit issued by the Group amounted to RMB105,916,000 (2011: RMB34,912,000).

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS

(a) Related parties information

In addition to the associates and jointly controlled entities of the Group as disclosed in notes 19 and 20 of these financial statements, the directors are of the view that the following entities are related parties of the Group.

Name of related party	Nature of relationship
Conch Holdings 安徽海螺集團有限責任公司	Substantial shareholder of the Company
Conch Venture 安徽海螺創業投資有限責任公司	Shareholder of Conch Holdings and the Company, some directors of the Company are also directors and equity holders of Conch Venture
Dragon Mountain 英德龍山水泥有限責任公司	A director of the Company is also a director of Dragon Mountain
Conch Design 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Conch Profiles and Science 蕪湖海螺型材科技股份有限公司	Subsidiary of Conch Holdings
Conch Information 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Design
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
Conch New Materials 蕪湖海螺新材料有限公司	Subsidiary of Conch Profiles and Science
Sanshan Port 蕪湖三山海螺港務有限公司	Subsidiary of Conch Venture

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related parties information (continued)

Name of related party	Nature of relationship
Conch Venture Property 蕪湖海創置業有限責任公司	Subsidiary of Conch Venture
Conch Property Management 蕪湖海螺物業管理有限公司	Subsidiary of Conch Venture
Conch Kawasaki Engineering 安徽海螺川崎工程有限公司	Joint venture of Conch Venture
Conch Kawasaki Energy Conservation 安徽海螺川崎節能設備製造有限公司	Joint venture of Conch Venture
Haichang Port 揚州海昌港務實業有限責任公司	Subsidiary of Conch Venture
Gaolin Building Material 重慶高林建材有限公司	In trust of a subsidiary of the Company
Haibao Cement 德保縣海寶水泥有限責任公司	In trust of a subsidiary of the Company
Chengli Building Material 建德市成利建材有限公司	In trust of a subsidiary of the Company

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year.

(i) Sales of goods

	2012 RMB'000	2011 RMB'000
Conch Kawasaki Equipment	**39,897**	11,401
Guiding Conch	**–**	1,663
Guiyang Conch	**–**	6,772
Conch Kawasaki Energy Conservation	**4,345**	1,790
Conch Profiles and Science	**880**	565
Conch New Materials	**41**	137
Sanshan Port	**515**	31
Yingde Profiles	**278**	196
Dragon Mountain	**6,526**	5,442
Conch Venture	**1,766**	2,330
Conch Venture Property	**6**	–
Conch Kawasaki Engineering	**5,012**	–
Conch Design	**402**	–
King Bridge Cement	**112**	–
Haichang Port	**88**	–
Conch Property Management	**2**	–
Gaolin Building Material	**17,566**	–
Haibao Cement	**11,881**	–
Chengli Building Material	**24,715**	–
Zunyi Conch	**–**	6
	114,032	30,333

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(ii) Purchase of goods

	2012 RMB'000	2011 RMB'000
Sanshan Port	**101,935**	38,864
Conch Profiles and Science	**3,652**	4,066
Yingde Profiles	**2,653**	3,096
Conch New Materials	**2,317**	3,641
Conch Kawasaki Energy Conservation	**79,528**	7,398
Conch Kawasaki Equipment	**65,504**	–
Dragon Mountain	**191,701**	154,252
	447,290	211,317

(iii) Purchase of fixed assets and lease prepayments

	2012 RMB'000	2011 RMB'000
Conch Kawasaki Engineering	**207,084**	393,504
Conch Kawasaki Energy Conservation	**58,120**	239,171
Conch Kawasaki Equipment	**356,401**	335,561
Conch Venture	**220,000**	–
	841,605	968,236

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(iv) Provision of services

	2012 RMB'000	2011 RMB'000
Conch Profiles and Science	**346**	242
Yingde Profiles	**137**	–
Conch Design	**15,810**	22
Conch Kawasaki Engineering	**3,122**	–
Conch Kawasaki Equipment	**5,942**	4,054
Conch Kawasaki Energy Conservation	**1,001**	–
Guiding Conch	**–**	3,470
Guiyang Conch	**–**	4,004
Conch Venture	**183**	–
King Bridge Cement	**274**	–
Dragon Mountain	**8,730**	15,039
	35,545	26,831

(v) Receiving services

	2012 RMB'000	2011 RMB'000
Conch Design	**31,816**	58,242
Conch Information	**8,620**	7,220
Conch Kawasaki Engineering	**33,360**	–
Haichang Port	**24,809**	–
Conch Venture	**5,484**	6,229
Sanshan Port	**158**	171
Conch Property Management	**523**	212
Yingde Profiles	**100**	100
	104,870	72,174

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(vi) Purchase of machinery through the Group

	2012 RMB'000	2011 RMB'000
Guiding Conch	–	115
Guiyang Conch	–	192
Zunyi Conch	–	1,214
	–	1,521

(vii) Construction and investment in fixed assets

	2012 RMB'000	2011 RMB'000
Conch Venture Property	**6,250**	33,026
	6,250	33,026

(viii) Lending of funds

– Principal

	2012 RMB'000	2011 RMB'000
Conch Kawasaki Equipment	**200,000**	–
Gaolin Building Material	**2,000**	–
Haibao Cement	**3,500**	–
Chengli Building Material	**17,750**	–
	223,250	–

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(viii) Lending of funds (continued)

– Interest

	2012 RMB'000	2011 RMB'000
Conch Kawasaki Equipment	8,763	–
Gaolin Building Material	116	–
Haibao Cement	220	–
Chengli Building Material	201	–
	9,300	–

(ix) Trustee service

	2012 RMB'000	2011 RMB'000
Gaolin Building Material	814	–
	814	–

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(x) Transactions with Conch Holdings

	2012	2011
	RMB'000	RMB'000
Trademark licence fees payable (note (i))	**1,513**	1,513
Composite service fees payable (note (ii))	**3,460**	3,322
Loan guarantees obtained (note (iii))	**16,161,990**	12,257,000
Finance lease guarantees obtained (note (iii))	**57,990**	117,340
Loans obtained (note (iv))	**1,232,000**	2,000,000
Loans repaid (note (iv))	**4,412,000**	2,340,000
Interest on loans (note (iv))	**261,826**	278,418
Sales of goods	**92**	–
	22,130,871	16,997,593

Notes:

(i) The Company has entered into a trademark licence agreement with Conch Holdings, pursuant to which Conch Holdings granted the Company exclusive rights to use and apply the Conch trademarks within and outside the PRC in respect of all cement and clinker products of the Group. In return, the Company agreed to pay RMB1,513,000 to Conch Holdings annually. Such licence fees have been charged to the Group since 1 January 1998.

(ii) Conch Holdings charged the Company a total amount of RMB3,460,000 (2011: RMB3,322,000) for various services rendered and facilities provided during the year ended 31 December 2012.

(iii) Conch Holdings provided guarantees for certain borrowings and finance leases of the Company and its subsidiaries. These guarantees are free of any charges to the Company and its subsidiaries (notes 32 and 34).

(iv) The loans from Conch Holdings bear interest at a fixed rate of 4.83%~5.78% per annum. The loans are unsecured and repayable starting November 2012.

The loans repaid to Conch Holdings during 2012 amounted to RMB4,412,000,000 (2011: RMB2,340,000,000).

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(xi) In October 2009, the Company entered into a joint construction contract with related parties, Conch Venture Property and Wuhu International Grand Hotel, to build Conch Tower in Wuhu City, Anhui Province, the PRC. Pursuant to the contract, the three parties will share interests in the buildings and leasehold land pertaining to the buildings in proportion to each party's investment, with Conch Venture Property being responsible for managing the process of construction. The total investment amount of the Company is expected to be RMB52,000,000 and the Company will have a share of 20% in the interest of the buildings and leasehold land.

In 2012, the Company paid a total of RMB51,844,000 (2011: RMB32,986,000) to Conch Venture Property for the construction of buildings.

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2012	2011
	RMB'000	RMB'000
Short-term employee benefits	**7,817**	11,535
Post-employment benefits	**228**	194
	8,045	11,729

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

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Commitment with related parties

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

	2012 **RMB'000**	2011 RMB'000
Conch Kawasaki Engineering	**383,172**	231,568
Conch Kawasaki Energy Conservation	**127,000**	8,050
Conch Venture Property	**2,742**	6,406
Conch Design	**28,660**	18,225
Yingde Profiles	**42**	142
Conch Venture	**156**	8,226
	541,772	272,617

44 NON-ADJUSTING POST STATEMENT OF FINANCIAL POSITION EVENTS

After the statement of financial position date, the directors proposed a final dividend. Further details are disclosed in note 39(b).

45 IMMEDIATE AND ULTIMATE CONTROLLING COMPANY

At 31 December 2012, the directors consider the immediate parent and ultimate controlling company of the Group to be Conch Holdings and Anhui Provincial Investment Group Holdings Co., Ltd. respectively, which are both state-owned enterprises established in the PRC. These entities do not produce financial statements available for public use.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income	1 July 2012
IFRS 10, Consolidated financial statements	1 January 2013
IFRS 11, Joint arrangements	1 January 2013
IFRS 12, Disclosure of interests in other entities	1 January 2013
IFRS 13, Fair value measurement	1 January 2013
IAS 27, Separate financial statements (2011)	1 January 2013
IAS 28, Investments in associates and joint ventures (2011)	1 January 2013
Revised IAS 19, Employee benefits	1 January 2013
Amendments to IFRS 7, Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
Annual Improvements to IFRSs – 2009-2011 Cycle	1 January 2013
Amendments to IFRS 10, Consolidated financial statements, IFRS 11, Joint arrangements and IFRS 12, Disclosure of interests in other entities – Transition guidance	1 January 2013

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

	Effective for accounting periods beginning on or after
Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities	1 January 2014
Amendments to IAS 32, Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
IFRS 9, Financial instruments (2009)	1 January 2015
IFRS 9, Financial instruments (2010)	1 January 2015
Amendments to IFRS 9, Financial instruments and IFRS 7 Financial instruments: Disclosures – Mandatory effective date and transition disclosures	1 January 2015

The Group is in the process of making an assessment of what the impact of these new amendments, standards and Interpretations is expected to be in the period of initial application but is not yet in a position to state whether these new amendments, standards and Interpretations would have a significant impact on the consolidated financial statements.

12. Documents for Inspection

(1) Financial statements bearing the signatures and seals of the legal representative, officer-in-charge of the accounting function and officer-in-charge of the accounting department.

(2) Original of the audited report with the seal of the accounting firm affixed and the signatures and seals of the registered accountants affixed.

(3) Originals of all the corporate documents and the announcements of the Company which were disclosed in newspaper designated by the CSRC during the Reporting Period.

(4) Annual report published on the Stock Exchange.

Anhui Conch Cement Company Limited

22 March 2013

13. Written Confirmation of the Directors and Members of the Senior Management on the Annual Report of 2012

Pursuant to the requirements and provisions of Securities Law and No. 2: "Content and Format of Annual Reports" of "Standards of Contents and Format for Information Disclosure of Companies Which are Securities Issuers" (as revised in 2012), as the Directors and members of the senior management of Anhui Conch Cement Co., Ltd., upon full understanding and review of the annual report of 2012 and summary of the annual report, we are of the view that:

1. the Company has strictly complied with the financial regulations for a joint stock company in its operation, the annual report for year 2012 and its summary have fairly reflected the financial position and operating results of the Company for the year;

2. the audited financial statements of Anhui Conch Cement Co., Ltd. for year 2012 as audited by KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants are objective, true and fair.

We warrant that the information disclosed in the annual report for year 2012 and its summary is true, accurate and complete, and we undertake that it does not contain misrepresentation, misleading statement or material omissions, and we are severally and jointly responsible for the truthfulness, accuracy and completeness of its contents.

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

22 March 2013