安徽海螺水泥股份有限公司

# Anhui Conch Cement Company Limited

*(a joint stock limited company incorporated in the People's Republic of China)*

(Stock code: 0914)

## Interim results for the six months ended 30 June 2008

- Revenue for the six months ended 30 June 2008, prepared in accordance with International Financial Reporting Standards ("IFRS"), amounted to RMB10,197.59 million, representing an increase of approximately 22.05% over the corresponding period of last year.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2008, prepared in accordance with IFRS, was RMB1,304.44 million, representing an increase of approximately 45.69% over the corresponding period of last year.
- Basic earnings per share for the six months ended 30 June 2008, prepared in accordance with IFRS, was RMB0.82.

Unless stated otherwise, all amounts in this announcement are expressed in Renminbi ("RMB"), the lawful currency of the People's Republic of China ("PRC"); unless stated otherwise, all financial information in this announcement was prepared under the accounting principles generally accepted in the PRC ("PRC Accounting Standards").

## I. BASIC INFORMATION OF THE COMPANY

### 1. Basic information

| | |
|---|---|
| Name of the Company | Anhui Conch Cement Company Limited ("the Company") |
| A Shares stock abbreviation | Conch Cement |
| A Shares stock code | 600585 |
| Exchange on which A Shares are listed | The Shanghai Stock Exchange ("SSE") |
| H Shares stock code | 0914 |
| Exchange on which H Shares are listed | The Stock Exchange of Hong Kong Limited ("Stock Exchange") |
| Registered address and business address | 209 Beijing East Road, Wuhu City, Anhui Province, the PRC |
| Postal code | 241000 |

## 2. Contact persons and details

| | Secretary to the board ("Board") of directors ("Directors") | Securities affairs representative |
|---|---|---|
| Name | Zhang Mingjing | Yang Kaifa |
| Address | 209 Beijing East Road, Wuhu City, Anhui Province, the PRC | 209 Beijing East Road, Wuhu City, Anhui Province, the PRC |
| Telephone | (86-21) 68865096<br>(86-553) 3115338 | (86-553) 3114546<br>(86-553) 3115036 |
| Fascimile | (86-553) 3114550 | (86-553) 3114550 |
| E-mail address | dms@conch.cn | dms@conch.cn |

# II. ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

## 1. Financial summary prepared in accordance with the IFRS

| Item | Six months ended 30 June 2008 (RMB'000) | Six months ended 30 June 2007 (RMB'000) | Increase/ (decrease) over the same period of the pervious year (%) |
|---|---|---|---|
| **Revenue** | 10,197,587 | 8,355,053 | 22.05 |
| **Net profit attributable to shareholders of the Company** | 1,304,440 | 895,329 | 45.69 |
| | **As at 30 June 2008 (RMB'000)** | As at 31 December 2007 (RMB'000) | **Increase/ (decrease) over the beginning of the year (%)** |
| **Total assets** | 41,730,059 | 30,921,284 | 34.96 |
| **Total liabilities** | 18,051,350 | 19,674,182 | Decrease by 8.25 percentage points |

## 2. Accounting data prepared in accordance with the PRC Accounting Standards

(1) Major financial data and indices

| Items | As at 30 June 2008 (RMB'000) | As at 31 December 2007 (RMB'000) | Increase/ (decrease) over the beginning of the year (%) |
|---|---|---|---|
| **Total assets** | 41,788,672 | 31,040,609 | 34.63 |
| **Total equity attributable to shareholders of the Company** | 23,511,203 | 11,079,605 | 112.20 |
| **Net assets attributable to shareholders of the Company per share (RMB/share)** | 13.31 | 7.07 | 88.26 |

| Items | Six months ended 30 June 2008 （RMB' 000） | Six months ended 30 June 2007 (RMB'000) | Increase/ (decrease) over the same period of the pervious year (%) |
|---|---|---|---|
| **Operating profit** | 1,415,743 | 1,233,853 | 14.74 |
| **Profit before taxation** | 1,556,270 | 1,403,240 | 10.91 |
| **Net profit attributable to shareholders of the Company** | 1,313,463 | 894,255 | 46.88 |
| **Net profit attributable to shareholders of the Company after extraordinary items** | 1,219,230 | 775,971 | 57.12 |
| **Basic earnings per share (RMB)** | 0.82 | 0.65 | 26.15 |
| **Net cash generated from operating activities** | 1,047,926 | 738,155 | 41.97 |
| **Net cash generated from operating activities per share (RMB)** | 0.59 | 0.54 | 9.26 |
| **Return on net assets attributable to shareholders of the Company (diluted)** | 5.59% | 9.50% | Decrease by 3.91 percentage points |

Note: The decrease in return on net assets attributable to shareholders of the Company (diluted) by 3.91 percentage points over the corresponding period of last year was due to the issue of 200 million A shares ("A Shares") by the Company during the period from 1 January 2008 to 30 June 2008 (the "Reporting Period"), resulting in a significant increase in equity of the shareholders.

(2) Extraordinary items and amounts thereof for the Reporting Period

（**RMB’ 000**）

| **Item** | Amount |
|---|---|
| （1）Loss on disposals of long term equity investment and fixed assets | (883) |
| （2）Government subsidy income | 107,296 |
| （3）Other extraordinary items | 16,250 |
| （4）Effect of extraordinary items on income tax | (28,045) |
| （5）Effect of extraordinary items on minority interests | (385) |
| **Net amount of extraordinary items** | **94,233** |

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

| | **Net profit** | | **Shareholders’ equity** | |
|---|---|---|---|---|
| | **Six months ended 30 June 2008** | Six months ended 30 June 2007 | **As at 30 June 2008** | As at 31 December 2007 |
| | **(RMB’000)** | (RMB’000) | **(RMB’000)** | (RMB’000) |
| As reported in the statutory financial statements under PRC Accounting Standards | 1,313,463 | 894,255 | 23,511,203 | 11,079,605 |
| －Reversal of valuation surplus of land use rights upon transformation of the Company and its subsidiaries (collectively called the the “Group”) | 1,919 | 1,919 | (150,306) | (152,225) |
| －Deferral of income tax credit for domestic equipment under IFRS | (11,723) | (845) | (156,190) | (144,467) |
| －Subsidy income recorded in capital reserve according to the PRC government requirement | 781 | - | (22,649) | - |
| As reported under IFRS | 1,304,440 | 895,329 | 23,182,058 | 10,782,913 |

## III. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SHAREHOLDERS

### 1. Change in share capital

During the Reporting Period, the Company issued 200,000,000 A shares, which commenced listing on the SSE on 28 May 2008. The total number of shares of the Company increased from 1,566,434,193 shares to 1,766,434,193 shares.

### 2. Total number of shareholders and shareholdings of the top 10 holders of shares with trading restrictions and top 10 holders of shares without trading restrictions at the end of the Reporting Period

Total number of shareholders at the end of the Reporting Period: 18,341

| **Name of shareholders** | **Nature of shareholders** | **Number of shares held at the end of the Reporting Period (shares)** | **Percentage of shareholdings (%)** | **Class of shares** | **Trading restrictions** |
|---|---|---|---|---|---|
| 1. Anhui Conch Holdings Co., Ltd. ("Conch Holdings") | State-owned shareholder | 519,667,147 | 29.42% | A Shares | Yes *(Note: 1)* |
| | State-owned shareholder | 110,290,113 | 6.24% | A Shares | No *(Note: 1)* |
| 2. Anhui Conch Venture Investment Company Limited ("Conch Venture") | Other | 287,999,046 | 16.30% | A Shares | Yes *(Note: 2)* |
| 3. HKSCC Nominees Limited | Foreign shareholder | 432,662,997 | 24.49% | H Shares | No |
| 4. International Capital Corporation－Citigroup－Nomura Securities Co., Ltd. | Other | 19,561,423 | 1.11% | A Shares | No |
| 5. UBS AG | Other | 18,018,943 | 1.02% | A Shares | No |
| 6. CITIC Securities – ICBC – Credit Suisse (Hong Kong) Limited | Other | 13,260,195 | 0.75% | A Shares | No |
| 7. Bank of Communications – Fuguo Tianyi Value Securities Investment Fund | Other | 13,016,426 | 0.74% | A Shares | No |
| 8. Gaohua－HSBC－Goldman, Sachs & Co. | Other | 8,756,970 | 0.50% | A Shares | No |
| 9. China Construction Bank Corporation – China International Fund Management Alpha Stock Fund | Other | 8,321,236 | 0.47% | A Shares | No |
| 10. China Construction Bank Corporation – Greatwall Brand Aborative-select Securities Investment Funds | Other | 7,983,934 | 0.45% | A Shares | No |
| 11. China Construction Bank Corporation – Yinhua Selected Core Value Equity Investment Fund | Other | 7,878,498 | 0.45% | A Shares | No |

**Notes:**

(1) Conch Holdings in aggregate held 629,957,260 A Shares of the Company. During the Reporting Period, 62,784,000 A Shares held by Conch Holdings commenced trading on 3 March 2008. As at 30 June 2008, 519,667,147 A Shares held by Conch Holdings were subject to trading restrictions.

(2) The 287,999,046 A Shares of the Company held by Conch Venture were subject to trading restrictions.

(3) During the Reporting Period, the shares of the Company held by Conch Holdings and Conch Venture were free of pledge, moratorium or trust.

(4) HKSCC Nominees Limited held 432,662,997 H shares ("H Shares"), representing 24.49% of the total share capital of the Company, and 99.88% of the issued H share capital of the Company, on behalf of its various clients.

(5) So far as the Board is aware, save as Conch Venture and Conch Holdings, who are connected to each other and are parties acting in concert by virtue of Conch Venture's holding of 49% shares in Conch Holdings and Conch Venture's and Conch Holdings' holding of 35.66% and 16.30% shares in the Company respectively, the above-mentioned shareholders are not connected to each other nor are parties acting in concert.

(6) As at 30 June 2008, the following persons (other than the Directors, supervisors and chief executive of the Company) held interests or short positions in the shares and underlying shares of the Company which were entered in the register required to be kept by the Company under section 336 of the Securities and Futures Ordinance ("SFO") (Cap 571 of the Laws of Hong Kong):

| **Name of shareholder** | **Number of ordinary shares held** | **Capacity** | **Percentage of shareholding of the relevant class of shares** |
|---|---|---|---|
| Conch Holdings | 629,957,260 A Shares (long position) (Note a) | Beneficial owner | 47.25% (Note b) |
| Anhui Provincial Investment Group Limited ("Anhui Provincial Investment Group") | 629,957,260 A Shares (long position) (Note a) | Interests of a controlled corporation | 47.25% (Note b) |
| Conch Venture | 917,956,306 A Shares (long position) (Note a) | Interests of a controlled corporation and beneficial owner | 68.85% (Note b) |
| JPMorgan Chase & Co. | 91,309,628 H Shares (long position) (Note d) | Beneficial owner/ investment manager/custodian | 21.08% (Note c) |

| | | | |
|---|---|---|---|
| JPMorgan Chase & Co. | 1,755,200 H Shares (short position) (Note d) | Beneficial owner | 0.41% (Note c) |
| Taiwan Cement Corporation | 51,890,000 H Shares (long position) (Note e) | Interests of a controlled corporation | 11.98% (Note c) |
| T. Rowe Price Associates, Inc. and its affiliates | 34,880,000 H Shares (long position) | Investment manager | 8.05% (Note c) |
| Halbis Capital Management (Hong Kong) Limited | 30,782,000 H Shares (long position) | Investment manager | 7.10% (Note c) |

**Notes:**

(a) These 629,957,260 A Shares were held in the name of Conch Holdings and in its capacity as the beneficial owner. The registered capital of Conch Holdings is RMB800 million, of which 51% of the equity interest is owned by Anhui Provincial Investment Group; and 49% of the equity interest is owned by Conch Venture. Pursuant to the SFO, both Anhui Provincial Investment Group and Conch Venture were deemed to own the entire interests in the shares of the Company held by Conch Holdings.

Among the 917,956,306 A Shares held by Conch Venture, 629,957,260 A Shares were held in the name of Conch Holdings and 287,999,046 A Shares were held by Conch Venture as beneficial owner.

(b) The total number of domestic shares in issue was 1,333,234,193 shares, all of which were A Shares.

(c) The total number of H Shares in issue was 433,200,000 shares.

(d) According to the disclosure of interests form submitted by JPMorgan Chase & Co. on 28 May 2008, these shares were held through certain subsidiaries of JPMorgan Chase & Co.. The 91,309,628 H Shares were held as to 2,967,000 H Shares in the capacity of beneficial owner, 52,442,000 H Shares in the capacity of investment manager and 35,900,628 H Shares (securities in a lending pool) in the capacity of custodian corporation/ approved lending agent.

(e) According to the disclosure of interests form submitted by Taiwan Cement Corporation on 16 May 2008, these shares were held through certain subsidiaries of Taiwan Cement Corporation.

Save for the aforesaid shareholders, as at 30 June 2008, the Company was not aware of any interests required to be recorded pursuant to section 336 of the SFO.

## 3. Purchase, sales and redemption of listed shares

For the six months ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 1. Interests of Directors, supervisors and chief executive

For the six months ended 30 June 2008, none of the Directors, chief executive and supervisors of the Company nor any of their respective associates held any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (as defined in the SFO), nor had they been granted or exercised any interest or rights to subscribe for shares, underlying shares or debentures of the Company or its associated corporations, which were recorded in the register required to be kept and maintained in accordance with section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

**2. Code on Corporate Governance Practices**

For the six months ended 30 June 2008, the Board was not aware of any information which would indicate that the Company did not comply with the code provisions (the "Code Provisions") of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

## V. MANAGEMENT DISCUSSION AND ANALYSIS

**Business Environment**

For the six months ended 30 June 2008, China's gross domestic product (GDP) grew approximately 10.4% over the corresponding period last year. The growth rate was 1.8 percentage points lower than that of the first half last year. Fixed-assets investment in the period under review increased by 26.3% over the corresponding period last year, representing a growth rate of 0.4 percentage points higher than the level for the corresponding period last year. The national economy of China continued to develop in the direction anticipated under the government's macroeconomic control measures, growing at a steady and relatively fast pace in general. (*Source: National Bureau of Statistics of China*)

Cement production and sales volumes continued to increase during the first six months as the growth in fixed assets investments remained the main driver of growth in cement consumption. The growth of investment in the cement industry slowed down significantly. There was steady progress in the elimination of outdated cement plants as facilities with an aggregate production capacity of approximately 20 million tonnes were closed down during the period, lending to a more balanced demand and supply situation in the market. Profitability was on the rise for the cement industry in general as sales revenue improved steadily in tandem with a cost-driven recovery in product prices following a substantial increase in production costs driven by rising prices in coal, electricity, fuel and transportation. (*Source: Digital Cement*)

**Analysis of Operation**

**Operations**

Following a business philosophy that emphasized sustainable, steady and healthy growth as well as maximisation of overall economic benefits, the Group achieved good progress for its projects in construction and maintained smooth and coordinated operations in production, sales and transportation during the six months ended 30 June 2008. We sustained steady and continuous growth in production and sales volumes, income from principal operations and net profit as the adverse impact of natural disasters such as low-temperature snowstorms, rainstorms, freezing weather and floods which affected the production and sales volume of the Company as well as increased production costs in tandem with rising prices in coal, electricity, fuel and transportation was effectively mitigated through the implementation of technology upgrade projects and management measures for energy conservation and the reduction of discharge and emission.

During the Reporting Period, the Group's income from principal operations under PRC Accounting Standards amounted to RMB10.062 billion, an increase of 22.35% over the corresponding period of last year; net profit attributable to equity shareholders of the Company amounted to RMB1.313 billion, an increase of 46.88% over the corresponding period of last year. Earnings per share was RMB0.82. Revenue under IFRS amounted to RMB10.198 billion, an increase of 22.05% over the corresponding period of last year; net profit attributable to equity shareholders of the Company amounted to RMB1.304 billion, an increase of 45.69% over the corresponding period of last year. Earnings per share was RMB0.82.

**Sales**

During the Reporting Period, the Group achieved net sales volume of 45.1 million tonnes of cement and clinker, representing an increase of 12.89% over the corresponding period of last year.

**Sales amount by regions**

| Regions | Six months ended 30 June 2008 | | Six months ended 30 June 2007 | | Increase / (decrease) of percentage in sales | Increase/ (decrease) in percentage points |
|---|---|---|---|---|---|---|
| | Sales (RMB'000) | Percentage (%) | Sales (RMB'000) | Percentage (%) | (%) | (Percentage Point) |

| | | | | | | |
|---|---|---|---|---|---|---|
| **East China** Note 1 | **4,479,224** | **44.52** | 3,316,257 | 40.32 | **35.07** | 4.2 |
| **Central China** Note 2 | **2,299,277** | **22.85** | 1,895,563 | 23.05 | **21.03** | (0.2) |
| **South China** Note 3 | **1,979,922** | **19.68** | 1,387,784 | 16.88 | **42.67** | 2.8 |
| **Export** | **1,303,444** | **12.95** | 1,624,263 | 19.75 | **(19.75)** | (6.8) |
| **Total** | **10,061,867** | **100.00** | 8,223,867 | 100.00 | **22.35** | **-** |

Notes:

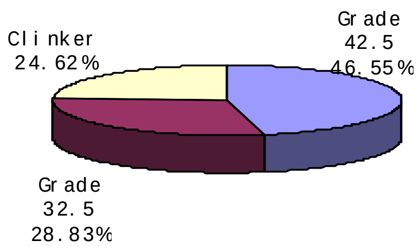
1. East China includes Jiangsu, Zhejiang, Fujian and Shanghai;
2. Central China includes Anhui, Jiangxi and Hunan;
3. South China includes Guangdong and Guangxi.

Increase in sales volume and rise in consolidated selling prices combined to contribute to the growth in the Group's sales in East China, Central China and South China in varying degrees during the Reporting Period. The Group maintained its export of 6.60 million tonnes of cement and clinker during the Reporting Period as it overcame the impact of numerous adverse factors by pursuing pro-active international marketing efforts, providing significant effects on the stabilisation of domestic market prices.

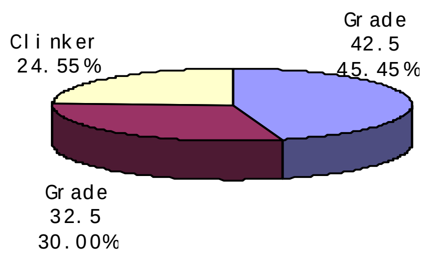
Sales of commodity clinker, Grade 32.5 cement and Grade 42.5 cement as percentages of total revenue during the Reporting Period remained constant from the corresponding period last year.

**Percentage of sales by products**

**Six months ended 30 June 2008**




**Six months ended 30 June 2007**



## Profit Analysis

**Key profit and loss items**

| | Amount | | |
|---|---|---|---|
| **Items** | **Six months ended 30 June 2008 (RMB'000)** | Six months ended 30 June 2007 (RMB'000) | **Period-on-period change (%)** |
| **Income from principal operations** | **10,061,867** | 8,223,867 | **22.35** |
| **Profit from operations** | **1,415,743** | 1,233,853 | **14.74** |
| **Total profit** | **1,556,270** | 1,403,240 | **10.91** |
| **Net profit attributable equity shareholders of the Company** | **1,313,463** | 894,255 | **46.88** |
| **Net** cashflow generated from operating activities | **1,047,926** | 738,155 | **41.97** |

During the Reporting Period, the Group's profit from operations, total profit and net profit attributable to equity shareholders of the Company amounted to RMB1,415,740,000, RMB1,556,270,000 and RMB1,313,460,000, respectively, representing period-on-period growth of 14.74%, 10.91% and 46.88%, respectively. The increase in profit was mainly attributable to the increase in sales volume and consolidated selling prices.

During the Reporting Period, the average consolidated cost of the Group was driven up by the significant rise in energy prices for raw coal, electricity and diesel, with energy expenses accounting for 68.61% of total cost, which was 6.31 percentage points higher compared to the corresponding period last year. In order to effectively curb the pressure of rising energy prices, the Group expedited the construction of residual heat power generation units while reinforcing efforts in technology upgrade projects and management measures in energy conservation and the reduction of discharge and emission. As at the end of the Reporting Period, 17 sets of residual heat power generation units of the Group were in operation which contributed to cost savings of approximately RMB353 million for the Reporting Period.

**Gross profit by products for the six months ended 30 June 2008 and period-on-period comparison**

| **Products** | **Income from principal operations (RMB'000)** | **Cost of principal operations (RMB'000)** | **Gross margin during the Reporting Period (%)** | Gross margin for the corresponding period of last year (%) | **Change in gross margin over the corresponding period of last year (percentage points)** |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| **Grade 42.5 cement** | **4,703,603** | **3,429,627** | **27.09** | 27.32 | **(0.23)** |
| **Grade 32.5 cement** | **2,887,001** | **1,874,931** | **35.06** | 33.15 | **1.91** |
| **Clinker** | **2,471,263** | **1,906,783** | **22.84** | 29.26 | **(6.42)** |
| **Total** | **10,061,867** | **7,211,341** | **28.33** | 29.55 | **(1.22)** |

During the Reporting Period, the consolidated gross margin of the Group recorded a period-on-period decrease of 1.22 percentage point, attributable to the increase in production cost.

**Key expense items prepared under PRC Accounting Standards**

| **Expenses for the period** | **Amount for the Reporting Period (RMB'000)** | Amount for the corresponding period of last year (RMB'000) | **Percentage to income from principal operations for the Reporting Period (%)** | Percentage to income from principal operations for the corresponding period of last year (%) | **Change in percentage to income from principal operations (%)** |
|---|---|---|---|---|---|
| **Selling expenses** | **633,919** | 579,422 | **6.30** | 7.05 | **(0.75)** |
| **Administrative expenses** | **344,218** | 277,026 | **3.42** | 3.37 | **0.05** |
| **Net finance expenses** | **432,065** | 301,076 | **4.29** | 3.66 | **0.63** |
| **Total** | **1,410,202** | 1,157,524 | **14.01** | 14.08 | **(0.07)** |

During the Reporting Period, the three items of expenses of the Group, namely selling expenses, administrative expenses and finance expenses, decreased slightly over the corresponding period of last year as a percentage of income from principal operations due to effective cost control efforts. The increase in finance expenses was mainly caused by increase in loan and higher benchmark lending rates. For the second half of the year, the Group will seek to further reduce finance expenses by making early loan repayments and optimising its loan structure.

**Financial Position**

**Assets and Liabilities Structure**

As at 30 June 2008, the Group's total assets, total liabilities and net assets, prepared in accordance with

PRC Accounting Standards, amounted to RMB41.789 billion, RMB17.777 billion and RMB24.012 billion respectively.

The Group's gearing ratio under PRC Accounting Standards dropped 20.26 percentage points to 42.54% as compared to the end of last year. Net debt ratio under IFRS dropped 0.94 percentage points to 0.25 as compared to the end of last year, which was mainly due to the partial repayment of bank loans from the issue proceeds of new A Shares by the Company during the Reporting Period with a view to further optimization of its financial structure.

**Change in balance sheet items prepared in accordance with PRC Accounting Standards**

| **Items** | **As at 30 June 2008 (RMB'000)** | As at 31 December 2007 (RMB'000) | **Increase / (decrease) (%) over the beginning of the year** |
|---|---|---|---|
| **Fixed assets** | **20,262,049** | 18,860,176 | **7.43** |
| **Current and other assets** | **21,526,623** | 12,180,433 | **76.73** |
| **Total assets** | **41,788,672** | 31,040,609 | **34.63** |
| **Current liabilities** | **9,942,045** | 9,600,434 | **3.56** |
| **Non-current liabilities** | **7,834,467** | 9,892,411 | **(20.80)** |
| **Minority interests** | **500,957** | 468,159 | **7.01** |
| **Equity interest attributable to the shareholders of the Company** | **23,511,203** | 11,079,605 | **112.20** |
| **Total liabilities and equity** | **41,788,672** | 31,040,609 | **34.63** |

**Liquidity and source of funds**

As at 30 June 2008, the Group's total current assets and total current liabilities, prepared in accordance with PRC Accounting Standards, were RMB15.591 billion and RMB9.942 billion respectively. The current ratio was 1.57:1.

As at 30 June 2008, the Group's total current assets and total current liabilities, prepared in accordance with IFRS, were RMB16.158 billion and RMB10.034 billion respectively.

Maturity analysis of bank loans and other borrowings of the Group as at 30 June 2008 was as follows:

| | **As at 30 June 2008 (RMB'000)** | As at 31 December 2007 (RMB'000) |
|---|---|---|
| **Due within 1 year** | **5,973,744** | 4,937,633 |
| **Due after 1 year but within 2 years** | **3,193,800** | 4,265,300 |

| | | |
|---|---|---|
| **Due after 2 years but within 5 years** | **3,638,000** | 4,324,000 |
| **Due after 5 years** | **940,455** | 1,232,727 |
| **Total** | **13,745,999** | 14,759,660 |

As at 30 June 2008, the Group's loans due within 1 year included discounted outstanding bank acceptance bills of RMB559 million and commercial acceptance bills of RMB450 million.

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

| | **Six months ended 30 June 2008 (RMB'000)** | Six months ended 30 June 2007 （RMB'000） |
|---|---|---|
| **Net cashflows generated from operating activities** | **1,047,926** | 738,155 |
| **Net cashflows used in investing activities** | **(4,520,405)** | (2,544,520) |
| **Net cashflows generated from financing activities** | **9,786,895** | 1,306,897 |
| **Net increase/(decrease) in cash and cash equivalents** | **6,314,415** | (499,468) |
| **Balance of cash and cash equivalents at the beginning of the period** | **1,411,707** | 1,331,084 |
| **Balance of cash and cash equivalents at the end of the period** | **7,726,122** | 831,616 |

**Capital expenditure**

During the Reporting Period, the Group's cash outflow for investing activities and capital expenditure amounted to approximately RMB4.5 billion in aggregate, of which approximately RMB2.6 billion was mainly used for the investments in the construction of cement, clinker production lines and residual heat power generation projects. With a view to enhance efficiency of utilization of funds, an aggregate amount of RMB1.5 billion was committed to trustee investment arrangement with the approval of the Board. Such trustee investment was fully redeemed upon maturity on 14 July 2008 and 13 August 2008 respectively, with a gain of RMB8.325 million.

As at 30 June 2008, the Group's investment in associates amounted to RMB160 million.

As at 30 June 2008, capital commitments in respect of the purchase of machinery and equipment for production purpose that had been committed but not provided for in the financial statements were as follows:

| | **As at 30 June 2008** | As at 31 December 2007 |
|---|---|---|
| | （**RMB'000**） | （RMB'000） |
| **Authorised and contracted for** | **2,060,575** | 2,877,795 |
| **Authorised but not contracted for** | **5,613,756** | 6,148,976 |
| **Total** | **7,674,331** | 9,026,771 |

**Investment in Projects**

1. Investment projects during the Reporting Period using issue proceeds

During the Reporting Period, the Company issued 200,000,000 A Shares by way of public offer with gross proceeds of RMB11.476 billion. Net proceeds was RMB11,282,057,207 after deduction of expenses in relation to such issue.

During the Reporting Period, there was no change in the Company's use of proceeds in the investment projects. The progress of investment projects using issue proceeds was in line with planned schedules, and revenue from commissioned projects was in line with earnings projections. The status of projects funded by proceeds of issue of A Shares during the Reporting Period is presented as follows (Note):

| **Item** | **Project name** | **Progress** | **Capital injected during the Reporting Period (RMB'000)** |
|---|---|---|---|
| **I. Investments in structural adjustments and new production capacities** | | | |
| 1 | Technology upgrade project for two 4,500 tonnes/d cement and clinker production lines of Anhui Digang Conch Cement Co., Ltd. ("Digang Conch") | In operation | 254,488 |
| 2 | Project of four 4,500 tonnes/d clinker production lines of Chizhou Conch Cement Co., Ltd. ("Chizhou Conch") | In operation | 175,771 |
| 3 | Project of two 4,500 tonnes/d cement and clinker production lines of Yiyang Conch Cement Co., Ltd. | In operation | 298,472 |

| | | | |
|---|---|---|---|
| 4 | Project of construction of a 5,000 tonnes/d new dry-process cement production line of Shimen Conch Cement Co., Ltd. ("Shimen Conch") | Under construction | 221,953 |
| 5 | Technology upgrade project for a 4,500 tonnes/d clinker and cement production line (Phase II) of Shuangfeng Conch Cement Co., Ltd. ("Shuangfeng Conch") | Under construction | 91,286 |
| 6 | Technology upgrade project for a 4,000 tonnes/d dry-process cement and clinker production line of Hunan Conch Cement Co., Ltd. ("Hunan Conch") | Under construction | 93,856 |
| 7 | Technology upgrade project for the second 4,500 tonnes/d new dry-process cement and clinker production line of Fusui Xinning Conch Cement Co., Ltd. ("Fusui Xinning Conch") | In operation | 75,597 |
| 8 | Technology upgrade project for a 4,000 tonnes of clinker/d new dry-process cement production line of Xing'an Conch Cement Co., Ltd. ("Xing'an Conch") | Under construction | 90,414 |
| 9 | Technology upgrade project for a 4,000 tonnes of clinker/d new dry-process cement production line of Beiliu Conch Cement Co., Ltd. ("Beiliu Conch") | In operation | 12,902 |
| 10 | Technology upgrade project for a 4,500 tonnes/d cement and clinker production line (Phase II) of Beiliu Conch | Under construction | 624 |
| **II. Investment in recycling and residual heat power generation** | | | |
| 11 | Two 18MW residual heat power generation units of Wuhu Conch Cement Co., Ltd. | In operation | 55,051 |
| 12 | Two 18MW residual heat power generation units of Xuancheng Conch Cement Co., Ltd. | In operation | 34,527 |
| 13 | Two 18MW residual heat power generation units of Chizhou Conch | In operation | 48,584 |
| 14 | A 18MW residual heat power generation unit of Digang Conch | In operation | 46,069 |
| 15 | A 18MW residual heat power generation unit of Zongyang Conch Cement Co., Ltd. ("Zongyang Conch") | Under construction | 324 |
| 16 | A 12MW residual heat power generation unit of Baimashan Cement Plant of Anhui Conch Cement Company Limited ("Baimashan Cement Plant") | In operation | 13,090 |
| 17 | A 18MW residual heat power generation unit of Huaining Conch Cement Co., Ltd. | In operation | 2,676 |

| | | | |
|---|---|---|---|
| 18 | 16.3MW and 30.5MW residual heat power generation units of Tongling Conch Cement Co., Ltd. ("Tongling Conch") | In operation | 5,472 |
| 19 | 11.6MW and 17MW residual heat power generation units of Chizhou Conch | In operation | 9,955 |
| 20 | 15MW and 18.5MW residual heat power generation units of Zongyang Conch | In operation | 12,035 |
| 21 | Technology upgrade project of the 18MW pure low-temperature residual heat power generation unit of Beiliu Conch | Under construction | 36,153 |
| 22 | Technology upgrade project of the 18MW pure low-temperature residual heat power generation unit of Fusui Xinning Conch | Under construction | 45,452 |
| 23 | Technology upgrade project of the 18MW pure low-temperature residual heat power generation unit of Xing'an Conch | Under construction | 43,643 |
| 24 | Two 18MW residual heat power generation units of Prosperity Conch Cement Co., Ltd. ("Prosperity Conch") | In operation | 73,451 |
| 25 | 18MW pure low-temperature residual heat power generation unit of Shimen Conch | Under construction | 19,800 |
| 26 | 18MW residual heat power generation unit of Shuangfeng Conch | Under construction | 34,036 |
| 27 | 9.1 MW residual heat power generation unit of Hunan Conch | Under construction | 24,260 |
| 28 | 24 MW residual heat power generation unit of Zhongguo Cement Co., Ltd. | Under construction | 46,733 |
| **III. Other projects** | | | |
| 29 | Cement equipment and spare parts processing centre of Anhui Conch Machinery & Electric Company Limited | In operation | 13,834 |
| 30 | New dry-process method for urban waste treatment project of Tongling Conch | Under preparation | - |
| 31 | Frequency conversion and energy conservation technology upgrade project of Anhui Conch Cement Company Limited | In operation | 2,789 |
| 32 | Optimisation of financial structure and repayment of bank loans | — | 1,808,000 |
| | **Total** | | **3,691,297** |

Note:

As at 30 June 2008, the Company had utilised funds from issue proceeds in the sum of RMB6,755,950,000, including funds invested in projects designated for the use of issue proceeds during the Reporting Period in the sum of RMB3,691,297,000 and funds applied to replace the funds in the amount of RMB3,064,653,000 obtained by the Company that had been invested in these projects prior to 2008 upon receipt of the issue proceeds.

2. Major projects during the Reporting Period using funds other than issue proceeds

| No. | Project name | Progress | Amount invested during Reporting Period (RMB'000) |
|---|---|---|---|
| 1 | Project of 4,500 tonnes/d clinker production line of Pingliang Conch Cement Co., Ltd. | Under construction | 17,096 |
| 2 | Project of two 5,000 tonnes/d clinker production lines of Zongyang Conch (Phase IV) | Under construction | 21,363 |
| 3 | Project of 2,500 tonnes/d clinker production line and 9KW residual heat power generation unit of Fenyi Conch Cement Co., Ltd. | Under construction | 135,445 |
| 4 | 9KW residual heat power generation unit of Xinye Kuiyang Conch Cement Co., Ltd. | Under construction | 36,600 |
| 5 | 3.2 million tonnes cement mill project of Tongling Conch | In operation | 107,980 |
| **Total** | | | **318,484** |

3. Investment in project companies during the Reporting Period

Project companies established by the Company during the Reporting Period were as follows:

| No. | Company name | Place of registration | Registered Capital （RMB） | Percentage of shareholding of the Company |
|---|---|---|---|---|
| 1 | Huaian Chuzhou Conch Cement Co., Ltd | Huaian City of Jiangsu Province | 80,000,000 | 100% |
| 2 | Pingliang Conch Cement Co., Ltd. | Pingliang City of Gansu Province | 150,000,000 | 100% |
| 3 | Ningde Conch Cement Co., Ltd. | Ningde City of Fujian Province | 150,000,000 | 100% |
| 4 | Jiangxi Ganjiang Conch | Ganjiang City of Jiangxi | 80,000,000 | 100% |

| | | | | |
|---|---|---|---|---|
| | Cement Co., Ltd. | Province | | |
| 5 | Foshan Conch Cement Co., Ltd. | Foshan City of Guangdong Province | 100,000,000 | 100% |
| 6 | Liuan Conch Cement Co., Ltd. | Liuan City of Anhui Province | 80,000,000 | 100% |
| 7 | Dazhou Conch Cement Co., Ltd. | Dazhou City of Sichuan Province | 180,000,000 | 100% |

**Prospects for the Second Half of 2008**

For the second half of 2008, it is expected that China will sustain faster yet stable macro-economic growth and a high growth rate for fixed assets investment. The PRC government would implement further measures in pursuit of a prudent fiscal policy and a tightened monetary policy, in a bid to prevent rapid economic development from turning into over-growth by enhancing the synergistic effects among its fiscal and monetary policies, industrial policy, land policy and social policy.

Cement prices are expected to be stable with upside opportunities in the second half of the year 2008 as they continue to be driven by cost and demand. The surge in prices of production materials such as coal, electricity and fuel will result in higher production costs for cement producers, and there remains an obvious trend of rising prices driven by costs. On the other hand, there will be effective support for increase in cement prices with additional demand for the whole year estimated to increase by over 10%, as the construction of infrastructure, towns and new villages continue to gain pace to sustain rapid growth in fixed assets investment. Meanwhile, with the implementation of new cement standards in June 2008, moves to eliminate outdated cement plants will be accelerated in the remaining six months. It is expected that facilities with an aggregate production capacity of 70 million to 80 million tonnes will be closed down for the whole year. Market demand and supply for cement will remain properly maintained. (*Source: Digital Cement*)

Looking to the second half of the year, effective control of the Company's production costs will assure us of delivering sound results for the year. For this purpose, the Group intends to advocate energy conservation, seek early completion of technology projects on energy conservation and implement all processes for better control of coal procurement costs. Concurrently, the Group will gear up regional management to assure continued expansion of its regional market shares while tighten control over the regional markets to improve consolidated selling prices for stable growth in profitability.

During the second half of the year, the Group will expedite the construction of its projects in East China, Central China, South China and West China and will also make focused efforts to develop the West China sales market. We will actively involve in post-earthquake rebuilding in affected areas in fulfillment of our social responsibilities, seeking to establish ourselves as a harmonious enterprise that pursues corporate, social and environmental harmony.

## VI. MATERIAL ACQUISITION OF ASSETS

There was no material acquisition of assets during the Reporting Period.

## VII. CONNECTED TRANSACTIONS

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

According to the Trademark Licensing Agreement, the Company would be required to pay an amount of RMB756,500 to Conch Holdings during the Reporting Period, and such obligation has not been satisfied during the Reporting Period.

## VIII. MATERIAL CONTRACTS

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

2. Guarantees

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

   During the Reporting Period, the guarantees provided by the Company for its subsidiaries amounted to RMB150,000,000, all being guarantees for collateral liabilities; as at 30 June 2008, the balance of guarantees provided by the Company for its subsidiaries amounted to RMB1,120,000,000, representing 4.62% of the net assets of the Company.

During the Reporting Period, the Company had not provided any guarantee for its controlling shareholder, beneficial controlling shareholders, other related parties and any other entities who were not legal persons or individuals. The aggregate amount of guarantees provided by the Company did not exceed 50% of the net assets stated in the latest audited balance sheet of the Company; as at 30 June 2008, the balance of the guarantees provided by the Company to the subsidiaries with a gearing ratio of over 70% amounted to RMB280,000,000.

As at 30 June 2008, Ningguo Cement Plant of Anhui Conch Cement Company Limited and Baimashan Cement Plant, branches of the Company, pledged their assets with a book value of RMB820 million (according to PRC Accounting Standards) to International Finance Corporation as the security for a long-term loan in the sum of RMB650 million.

3. Trustee Investment Arrangement

On 13 June 2008, the following resolution was passed by the Board of the Company unanimously through tele-communication: that for the purpose of enhancing effective use of operating fund of the Company, a total amount of RMB1.5 billion (representing 12.99% of the audited consolidated net assets of the Company for the year ended 31 December 2007 prepared under the PRC Accounting Standards) of the Company's working capital be committed to trustee investment for the purchase of a financial product from Hui Shang Bank, Jiu Yue RMB Growth Investment Bill (徽商銀行九越理財票據贏人民幣理財產品) (Class A and Class B).

The Company fully redeemed the above trustee investment of RMB1.5 billion upon their maturities on 14 July 2008 and 13 August 2008 respectively with a gain of RMB8.325 million.

For details of the above trustee investment, please refer to the announcements of the Company dated 13 June 2008, 15 July 2008 and 14 August 2008 posted on the HKExnews website of the Stock Exchange and the announcements of the Company dated 16 June 2008, 16 July 2008 and 15 August 2008 posted on the website of SSE and published in Shanghai Securities Journal.

4. Investments in Other Listed Companies

| No. | Stock Code | Stock Name | Number held as at the end of the | Initial Amount of Investment (RMB'000) | Face value as at the end of the Reporting | Face value as at the beginning of the | Accounting classification |
|---|---|---|---|---|---|---|---|

| | | | Reporting Period (shares) | | Period (RMB'000) | Reporting Period (RMB'000) | |
|---|---|---|---|---|---|---|---|
| 1 | 600318 | 巢東股份 (Chaodong Share) | 39,385,700 | 98,020 | 142,844 | 326,901 | Available for sale financial asset |
| 2 | 000401 | 冀東水泥 (Jidong Cement) | 35,972,011 | 441,725 | 447,852 | - | |
| 3 | 600802 | 福建水泥 (Fujian Cement) | 863,900 | 4,459 | 4,432 | - | |
| 4 | 000789 | 江西水泥 (Jiangxi Cement) | 1,135,000 | 7,064 | 7,321 | - | |
| 5 | 000885 | 同力水泥 (Tongli Cement) | 999,769 | 8,320 | 8,288 | - | |

5. Commitments

On 21 August 2006, the Company and Conch Venture, being a shareholder with over 5% of the shareholding of the Company, entered the Assets Purchase Agreement, pursuant to which A shares were issued to Conch Venture by the Company as the consideration for the acquisition of 49% of the equity interests in Digang Conch, 49% of the equity interests in Zongyang Conch, 49% of the equity interests in Chizhou Conch and 31.86% of the equity interests in Tongling Conch, being four majority-owned subsidiaries of the Company in which the Company has controlling interest (collectively, the "Four Companies").

Conch Venture has undertaken that if the average aggregate audited net profit attributable to the equity interests of the Four Companies acquired by the Company for the three years ended 31 December 2006, 2007 and 2008 prepared in accordance with the PRC Accounting Standards is less than RMB319.198 million, Conch Venture agreed that the Company may repurchase a certain amount of shares of the Company at a consideration of RMB1.00. The undertaking remained outstanding as such repurchase is pending on the publication of the 2008 audited net profit of the Four Companies.

## IX. USE OF CAPITAL OF THE COMPANY BY CONTROLLING SHAREHOLDER AND ITS SUBSIDIARIES

During the Reporting Period, none of the controlling shareholder or its subsidiaries used any of the capital of the Company.

## X. AUDIT COMMITTEE

The Audit Committee was established by the Company. The terms of reference adopted by the Audit Committee complied with the requirements of the Code Provisions. The Audit Committee is responsible for the review and supervision of financial reporting procedures and the internal control system of the Group as well as the provision of advice and recommendations to the Board of the Company. The Audit Committee has reviewed the interim results of 2008.

## XI. SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Connected Transactions

On 3 July 2008, as approved by the Board of the Company, the Company entered into the following connected transactions with Anhui Conch Kawasaki Engineering Company Limited ("Conch Kawasaki Engineering"), Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("Conch Kawasaki Energy Conservation"), Yingde Longshan Cement Co., Ltd. ("Longshan Company"), Anhui Conch Building Materials Design Centre ("Conch Design") and Wuhu Conch Profiles and Science Co., Ltd. ("Conch Profiles") respectively:

(1) Residual Heat Electricity Generation Projects

On 3 July 2008, the Company and Conch Kawasaki Engineering entered into the Kawasaki RHEG Supply Contract, pursuant to which Conch Kawasaki Engineering was engaged by the Company to design the residual electricity generation projects and to supply and install the whole set of equipment in relation to such projects for some of its subsidiaries. The total contract price was RMB235.75 million. The contract price was agreed between the parties which was determined in accordance with the costs of the projects (to be determined mainly by the scale of the projects and the required level of technology), with reference to the prevailing market prices of such services and the price charged by Conch Kawasaki Engineering to other customers, but shall not be higher than that offered by Conch Kawasaki Engineering to independent customers.

(2) Purchase of Milling Equipment

On 3 July 2008, the Company and Conch Kawasaki Energy Conservation entered into the Milling

Equipment Supply Contract, pursuant to which the Company agreed to purchase 16 sets of CK-450 milling equipment from Conch Kawasaki Energy Conservation. The total contract price was RMB448 million. The contract price was agreed between the parties which was determined in accordance with the costs of the equipment, with reference to the prevailing market prices of such equipment and the price charged by Conch Kawasaki Energy Conservation to other customers, but shall not be higher than that offered by Conch Kawasaki Energy Conservation to independent customers.

(3) Purchase of clinker, spare part and production ancillary material

On 3 July 2008, Jiangmen Conch Cement Co., Ltd. ("Jiangmen Conch"), a wholly-owned subsidiary of the Company, and Longshan Company entered into the Clinker Procurement Agreement in relation to the procurement of clinker by Jiangmen Conch from Longshan Company. On the same date, Prosperity Conch, a 75%-owned subsidiary of the Company, and Longshan Company entered into the Longshan Procurement Agreement in relation to the mutual procurement of spare parts and production ancillary materials between Prosperity Conch and Longshan Company. The term of each of the Clinker Procurement Agreement and Longshan Procurement Agreement commenced on 1 January 2008 and shall end on 31 December 2010. It is estimated that the aggregate amount of the annual caps for the above transactions among Jiangmen Conch, Prosperity Conch and Longshan Company for each of the three years ending 31 December 2008, 2009 and 2010 will not exceed RMB123.4 million, RMB120 million and RMB121.5 million respectively.

The purchase price of clinker is determined according to market price and after negotiation between the Group and Longshan Company which shall not be higher than that offered to other independent customers by Longshan Company. Jiangmen Conch will mainly consider the cost of clinker, product quality, market demand and the price of similar products offered by other third parties within the same area in determining whether clinker would be procured from Longshan Company or other independent suppliers. The selling price of spare parts and production ancillary materials offered by Prosperity Conch nad Longshan Company respectively is the price they procured from their respective suppliers.

During the Reporting Period, the purchase amount of clinker by Jiangmen Conch from Longshan Company was RMB10,000,005, the purchase amount of spare parts and production ancillary materials by Prosperity Conch from Longshan Company was RMB2,671,794 and that by Longshan Company from Prosperity Conch was RMB2,338,525.

(4) Design of Cement Clinker Projects

On 3 July 2008, the Company and Conch Design entered into the Composite Project Design Contract, pursuant to which Conch Design agreed to provide services including design and technical modification of clinker production lines and grinding mill systems for certain subsidiaries of the Company. The contract price was RMB40.450 million. The design fee was determined by the parties after arm-length negotiation with reference to the Scale Charge for Project Design promulgated by the National Development and Reform Commission and Ministry of Construction in 2002 and the project scale, investment amount, scope of design, standard of technology and the prevailing market prices.

(5) Construction Projects

On 3 July 2008, Anhui Wuhu Conch Construction and Installation Co., Ltd. ("Conch Construction"), a subsidiary of the Company, and Conch Profiles entered into the Profiles Moulding Construction Contract for Section A of the moulding plant of Wuhu Conch Profiles And Science Co., Ltd., pursuant to which Conch Construction agreed to provide services to Conch Profiles including land construction of Section A of the moulding plant of Conch Profiles (exclusive of the steel structure and surface system of the main building), decoration project, interior illumination project, drainage project and main floor planning of land construction project. The total contract price was RMB21.8 million, subject to adjustment in accordance with the actual services price of the projects. The contract price was determined by open tender.

For details of the above connected transactions, please refer to the announcement of the Company dated 3 July 2008 posted on the HKExnews website of the Stock Exchange and the announcement of the Company dated 4 July 2008 posted on the website of SSE and Shanghai Securities Journal.

## XII. CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

**Extract from the Group's unaudited consolidated balance sheet as at 30 June 2008, and the unaudited consolidated income statement for the Reporting Period prepared under the IFRS and presented on the basis as set out in note 1 below, together with comparative figures for the six months ended 30 June 2007 were as follows:**

## 1. Consolidated balance sheet

| | As at 30 June 2008 RMB'000 | As at 31 December 2007 RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Fixed assets | | |
| -Property, plant and equipment | 23,178,696 | 21,469,915 |
| -Interests in leasehold land held for own use under operating leases | 1,070,559 | 999,377 |
| | 24,249,255 | 22,469,292 |
| Intangible assets | 226,351 | 231,520 |
| Goodwill | 16,120 | 16,120 |
| Interest in associates | 161,434 | 162,925 |
| Loans and receivables | 220,691 | 199,306 |
| Other investment in equity securities | 10 | 10 |
| Available-for-sale equity securities | 610,736 | 326,901 |
| Deferred tax assets | 87,328 | 79,642 |
| | 25,571,925 | 23,485,716 |
| **Current assets** | | |
| Held-to-maturity investments | 1,500,000 | - |
| Inventories | 2,132,343 | 1,562,552 |
| Trade receivables | 3,389,682 | 3,470,929 |
| Prepayments and other receivables | 905,972 | 530,464 |
| Amounts due from related parties | 475,287 | 423,140 |
| Tax recoverable | 18,664 | 30,799 |
| Restricted cash deposits | 10,064 | 5,977 |
| Cash at bank and in hand | 7,726,122 | 1,411,707 |
| | 16,158,134 | 7,435,568 |

**1. Consolidated balance sheet (continued)**

| | As at 30 June 2008 RMB'000 | As at 31 December 2007 RMB'000 |
|---|---|---|
| **Current liabilities** | | |
| Trade payables | 1,624,429 | 1,930,814 |
| Other payables and accruals | 2,110,396 | 2,240,716 |
| Bank loans and other borrowings | 5,973,745 | 4,937,633 |
| Amounts due to related parties | 102,020 | 108,013 |
| Current portion of long-term payables | 8,571 | 9,156 |
| Current taxation | 214,573 | 406,998 |
| | 10,033,734 | 9,633,330 |
| **Net current assets /(liabilities)** | 6,124,400 | (2,197,762) |
| **Total assets less current liabilities** | 31,696,325 | 21,287,954 |
| **Non-current liabilities** | | |
| Bank loans and other borrowings | 7,772,255 | 9,822,027 |
| Long-term payables | 42,093 | 50,053 |
| Deferred income | 183,149 | 148,441 |
| Deferred tax liabilities | 20,119 | 20,331 |
| | 8,017,616 | 10,040,852 |
| **NET ASSETS** | 23,678,709 | 11,247,102 |
| **CAPITAL AND RESERVES** | | |
| Share capital | 1,766,434 | 1,566,434 |
| Reserves | 21,415,624 | 9,216,479 |
| **Total equity attributable to equity shareholders of the Company** | 23,182,058 | 10,782,913 |
| **Minority interests** | 496,651 | 464,189 |
| **TOTAL EQUITY** | 23,678,709 | 11,247,102 |

2. Consolidated income statement

| | Note | For the six months ended 30 June 2008 RMB'000 | 2007 (Restated) RMB'000 |
|---|---|---|---|
| **Revenue** | 4 | 10,197,587 | 8,355,053 |
| Cost of sales and services rendered | | (7,382,860) | (5,935,910) |
| **Gross profit** | | 2,814,727 | 2,419,143 |
| Other revenue | 6 | 162,140 | 154,273 |
| Other net income/(loss) | 6 | 17,404 | (7,599) |
| Selling and marketing costs | | (633,919) | (579,422) |
| Administrative expenses | | (344,623) | (275,679) |
| **Profit from operations** | | 2,015,729 | 1,710,716 |
| Finance costs | 7(a) | (452,337) | (302,419) |
| Share of profits of associates | | 2,510 | 1,156 |
| **Profit before taxation** | 7 | 1,565,902 | 1,409,453 |
| Income tax | 8 | (209,874) | (384,087) |
| **Profit for the period** | | 1,356,028 | 1,025,366 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | 1,304,440 | 895,329 |
| Minority interests | | 51,588 | 130,037 |
| **Profit for the period** | | 1,356,028 | 1,025,366 |
| **Dividends** | 9 | - | 251,136 |
| **Earnings per share** | 10 | | |
| Basic | | RMB0.82 | RMB0.65 |
| Diluted | | RMB0.82 | RMB0.65 |

## 1 Basis of preparation

This interim financial report of Anhui Conch Cement Company Limited (the "Company") and its subsidiaries (the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") adopted by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 14 August 2008.

The interim financial report has been prepared in accordance with substantially the same accounting policies adopted in the 2007 annual financial statements. Please refer to note 2 for the discussion of new and revised International Financial Reporting Standards ("IFRSs") adopted by the Group in 2008.

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

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2007 annual financial statements.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs. IFRSs include IAS and related interpretations.

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

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Group's annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The Group's annual financial statements for the year ended 31 December 2007 are available at the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their audit report dated 27 March 2008.

## 2 New and revised IFRSs

The IASB has issued a number of new and revised IFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2008. The board of directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements prepared under IFRSs for the year ending 31 December 2008, on the basis of IFRSs currently in issue.

## 2 New and revised IFRSs (continued)

The IFRSs that will be effective or are available for voluntary early adoption in the annual financial statements prepared under IFRSs for the year ending 31 December 2008 may be affected by the issue of additional interpretation(s) or other changes announced by the IASB subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies applied in this interim financial report for the periods presented.

## 3 Change of accounting policy for business combination under common control

As business combination under common control is explicitly excluded from the scope of IFRS 3, Business combination, the purchase method was adopted by the Group in the financial statements for the year ended 31 December 2006 and before such that any excess of the cost of business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities was recognised as goodwill.

In 2007, the above accounting policy was revised and the pooling-of-interests method was adopted to align with the accounting policies adopted for the Group's PRC statutory financial statements as a result of the implementation of China Accounting Standards for Business Enterprises (2006). Under the pooling-of-interests method, the assets and liabilities of the acquirees are accounted for at historical amounts and the consolidated financial statements of the Company prior to the business combination need to be restated to include the results of operations and assets and liabilities of the acquirees on a combined basis. The comparative figures for this interim report have been restated and the profit for the six months ended 30 June 2007 was reduced by RMB2,613,000 accordingly.

The effects of the above change of accounting policy and the restatement of certain comparative figures in this interim financial report were disclosed in the Group's annual financial statements for the year ended 31 December 2007.

## 4 Revenue and segment information

The principal activities of the Group are manufacturing and sales of clinkers and cement products. Revenue represents the sales value of goods supplied to customers, net of value-added tax and surcharges, and other service income.

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

**Business segment**

No business segment information is presented as over 90% of the Group's revenue and operating profits are derived from the sales of clinkers and cement products.

## 4 Revenue and segment information (continued)

**Geographical segments**

The Group's assets are all located in the People's Republic of China ("the PRC"), which is considered as one geographic location with similar risks and returns.

| | For the six months ended | |
|---|---|---|
| | 30 June | 30 June |
| | 2008 | 2007 |
| | | (Restated) |
| | RMB'000 | RMB'000 |
| **Revenue from external customers** | | |
| - the PRC | 8,894,142 | 6,730,790 |
| - others | 1,303,445 | 1,624,263 |
| | 10,197,587 | 8,355,053 |

## 5 Seasonality of operations

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

## 6 Other revenue and net income/(loss)

***a) Other revenue***

| | For the six months ended | |
|---|---|---|
| | 30 June | 30 June |
| | 2008 | 2007 |
| | | (Restated) |
| | RMB'000 | RMB'000 |
| Subsidy income | 138,048 | 145,360 |
| Interest income | 24,092 | 8,913 |
| | 162,140 | 154,273 |

## 6 Other revenue and net income/(loss) (continued)

***b) Other net income/(loss)***

| | For the six months ended | |
|---|---|---|
| | 30 June 2008 | 30 June 2007 |
| | RMB'000 | RMB'000 |
| Net realised gain on trading securities | 12,888 | - |
| Net loss on disposal of fixed assets | (883) | (600) |
| Exchange loss | (1,499) | (6,999) |
| Others | 6,898 | - |
| | 17,404 | (7,599) |

## 7 Profit before taxation

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

| | For the six months ended | |
|---|---|---|
| | 30 June 2008 | 30 June 2007 |
| | RMB'000 | RMB'000 |
| (a) Finance costs: | | |
| Interest on bank and other borrowings | 493,574 | 324,637 |
| Less: borrowing costs capitalised into construction-in-progress | (41,237) | (22,218) |
| | 452,337 | 302,419 |

| | For the six months ended | |
|---|---|---|
| | 30 June 2008 | 30 June 2007 (Restated) |
| | RMB'000 | RMB'000 |
| (b) Other items: | | |
| Depreciation | 663,654 | 536,136 |
| Amortisation of interests in leasehold land held for own use under operating leases | 11,391 | 13,573 |
| Other amortisation | 6,273 | 5,752 |
| Staff costs | 335,492 | 289,423 |

## 8 Income tax

| | For the six months ended | |
|---|---|---|
| | 30 June 2008 | 30 June 2007 |
| | RMB'000 | RMB'000 |
| ***Current tax-PRC Enterprise Income Tax*** | | |
| Provision for the period | 217,772 | 380,034 |
| Under-provision in respect of prior periods | - | 15,861 |
| | 217,772 | 395,895 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | (7,898) | (21,960) |
| Effect of decrease in tax rate on deferred tax balances at 30 June | - | 10,152 |
| | (7,898) | (11,808) |
| | 209,874 | 384,087 |

No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2008 and 2007 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 Enterprise Income Tax at 25% (2007: 33%) on taxable income determined according to the relevant income tax rules and regulation of the PRC, except for:

| | |
|---|---|
| Prosperity Conch Cement Co., Ltd. ("Prosperity Conch")<br>英德海螺水泥有限責任公司 (Note i) | 12.5% |
| Xinye Kuiyang Conch Cement Co., Ltd. ("Kuiyang Conch")<br>興業葵陽海螺水泥有限責任公司 (Note ii) | 0% |
| Fusui Xinning Conch Cement Co., Ltd. ("Xinning Conch")<br>扶綏新寧海螺水泥有限責任公司 (Note iii) | 0% |
| Beiliu Conch Cement Co., Ltd. ("Beiliu Conch")<br>北流海螺水泥有限責任公司 (Note iv) | 0% |

## 8 Income tax (continued)

Notes:

(i) Prosperity Conch is a sino-foreign enterprise. In 2006, Prosperity Conch was recognised by the local tax authorities as a productive sino-foreign enterprise, and thus is entitled to an Enterprise Income Tax exemption for the first two profitable years and a 50% reduction of Enterprise Income Tax for the subsequent three years. As 2008 is the third profitable year of Prosperity Conch, the applicable Enterprise Income Tax rate is therefore 12.5%.

(ii) Kuiyang Conch was recognised by the local tax authorities as a company located in mid-west China, and thus is entitled to an Enterprise Income Tax exemption for the five years ending 31 December 2010. The applicable Enterprise Income Tax rate in 2008 is therefore 0%.

(iii) Xinning Conch was recognised by the local tax authorities as a company located in mid-west China, and thus is entitled to an Enterprise Income Tax exemption for the five years ending 31 December 2009. The applicable Enterprise Income Tax rate in 2008 is therefore 0%.

(iv) Beiliu Conch was recognised by the local tax authorities as a company located in mid-west China, and thus is entitled to an Enterprise Income Tax exemption for the five years ending 31 December 2011. The applicable Enterprise Income Tax rate in 2008 is therefore 0%.

## 9 Dividends

During the six months ended 30 June 2008, a shareholders' meeting approved no final dividend appropriation for the year ended 31 December 2007 (final dividend for the year ended 31 December 2006 declared during the six months ended 30 June 2007: RMB251,136,000 (RMB0.20 per share)).

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

## 10 Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2008 of RMB 1,304,440,000 (six months ended 30 June 2007 (restated): RMB895,329,000) and the weighted average number of shares in issue during the six months ended 30 June 2008 of 1,599,767,000 (six months ended 30 June 2007: 1,374,435,000).

### (b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the six months ended 30 June 2008 and 2007.

By order of the Board
**Anhui Conch Cement Company Limited**
**Guo Wensan**
*Chairman*

Wuhu City, Anhui Province, the PRC
14 August 2008

*As at the date of this announcement, the Board comprises (i) Mr Guo Wensan, Mr Yu Biao, Mr Guo Jingbin, Mr Li Shunan, and Mr Ren Yong as executive Directors, and (ii) Mr Kang Woon, Mr Chan Yuk Tong, and Mr Ding Meicai as independent non-executive Directors.*