



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)

2008 THIRD QUARTERLY REPORT

In accordance with the applicable rules of the Shanghai Stock Exchange of the People's Republic of China ("PRC"), the quarterly report ("Quarterly Report") for the third quarter of year 2008 ("Reporting Period") of Anhui Conch Cement Company Limited ("Company") and its subsidiaries (together with the Company referred to as the "Group") will be published in the newspaper circulated in the PRC on 22 October 2008.

The full text of the Quarterly Report is set out below pursuant to Rule 13.09(2) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

§ 1. IMPORTANT NOTICE

1.1 The board ("Board") of directors ("Directors"), supervisory committee ("Supervisory Committee"), and the Directors, supervisors and the senior management of the Company warrant that in respect of the information contained in this Quarterly Report, there are no misrepresentations, misleading statements or material omission, and they individually and collectively accept full responsibility for the authenticity, accuracy and completeness of the information contained in this Quarterly Report.

1.2 The financial report as contained in this Quarterly Report has not been audited.

1.3 The Company's Chairman, Mr Guo Wensan, the officer-in-charge of the accounting functions, Mr Ren Yong, and the head of the accounting department, Mr Zhou Bo, hereby declare that the financial report contained in this Quarterly Report is warranted to be true and complete.

1.4 Unless stated otherwise, all amounts in this Quarterly Report are expressed in Renminbi ("RMB"), the lawful currency of the PRC; unless stated otherwise, all financial data were prepared under the generally accepted accounting principles of the PRC ("PRC Accounting Standards").

§ 2. BASIC CORPORATE INFORMATION

2.1 Major accounting data and financial indicators

	As at the end of the Reporting Period	As at the end of the previous year	Changes in percentage at the end of the Reporting Period as compared with that as at the end of the previous year (%)
Total assets (RMB)	40,866,702,760	31,040,609,420	31.66
Equity attributable to shareholders of the Company (RMB)	23,904,760,518	11,079,605,265	115.75
Net assets attributable to shareholders of the Company per share (RMB)	13.53	7.07	91.37
	From the beginning of this year to the end of the Reporting Period		Changes in percentage as compared with the corresponding period of the previous year (%)
Net cash generated from operating activities (RMB)	1,476,525,498		-21.42
Net cash generated from operating activities per share (RMB/share)	0.84		-35.88
	Reporting Period	From the beginning of this year to the end of the Reporting Period	Changes in percentage during the Reporting Period as compared with the corresponding period of the previous year (%)
Net profit attributable to shareholders of the Company (RMB)	704,272,294	2,017,735,016	13.30
Basic earnings per share (RMB/share)	0.40	1.22	—
Diluted earnings per share (RMB/share)	0.40	1.22	—
Return on net assets attributable to shareholders of the Company (diluted)	2.95%	8.44%	Decreased by 3.27 percentage points

Return on net assets attributable to shareholders of the Company after extraordinary items (diluted)	2.84%	7.94%	Decreased by 2.84 percentage points
Basic earnings per share after extraordinary items (RMB/share) from the beginning of the year to the end of the Reporting Period	1.15		
Extraordinary items	Amount from the beginning of this year to the end of the Reporting Period (RMB)		
Gain/ (loss) on disposals of long term equity investment and fixed assets	(585,304)		
Government subsidy income	136,313,067		
Other extraordinary items	20,238,237		
Effect of extraordinary items on income tax	(36,661,955)		
Effect of extraordinary items on minority interests	(503,417)		
Total	118,800,628		

2.2 The total number of shareholders and the shareholdings of the top 10 holders of the Company's floating shares without trading restriction as at the end of the Reporting Period

Company's floating shares without trading restriction as at the end of the Reporting Period			
Total number of shareholders as at the end of the Reporting Period		21,437	
Shareholding of the top 10 holders of the Company's floating shares without trading restriction			
Number	Name of shareholder (in full)	Number of floating shares without trading restriction held at the end of the Reporting Period	Type
1	HKSCC Nominees Limited	432,766,997	Overseas listed foreign shares
2	Anhui Conch Holdings Company Limited	110,290,113	RMB-denominated ordinary shares
3	International Capital Corporation—HSBC—JPMorgan Chase Bank, National Association	18,763,629	RMB-denominated ordinary shares
4	International Capital Corporation—Citigroup—Nomura Securities Co., Ltd.	16,808,920	RMB-denominated ordinary shares
5	UBS AG	15,191,165	RMB-denominated ordinary shares
6	Bank of Communications—Fuguo Tianyi Value Securities	12,663,079	RMB-denominated ordinary shares

	Investment Fund		
7	Gaohua—HSBC—Goldman, Sachs & Co.	11,885,209	RMB-denominated ordinary shares
8	CITIC Securities – ICBC – Credit Suisse (Hong Kong) Limited	11,373,567	RMB-denominated ordinary shares
9	China Construction Bank Corporation – Yinhu Core Value Priority Equity Investment Fund	10,878,449	RMB-denominated ordinary shares
10	China Everbright Bank Company Limited – Everbright Pramerica Quantified Core Securities Investment Fund	10,104,418	RMB-denominated ordinary shares

§ 3. MAJOR EVENTS

3.1 Significant changes and reasons for such changes in major items of the accounting statements and financial indicators of the Company

1. As at the end of the Reporting Period, the closing balances of monetary capital and capital reserve increased by 285% and 331% respectively from those at the beginning of the year, which were mainly due to the proceeds of RMB11.282 billion raised from the Company's issue of 200 million A shares in May 2008;
2. as at the end of the Reporting Period, the closing balance of accounts receivable increased by 53% from that at the beginning of the year, which was mainly due to an increase in the number of key projects awarded to the Group. These key projects have a credit period of approximately 30 days, resulting in an increase in the accounts receivable;
3. as at the end of the Reporting Period, the closing balances of advance payments and inventory increased by 110% and 79% respectively from those at the beginning of the year, which were mainly due to the expansion of the Group's production capacity and upsurge of the price of fuel, leading to an increase in the procurement amount and an increase in the corresponding inventory;
4. as at the end of the Reporting Period, available-for-sale financial assets increased by 261% from that at the beginning of the year. This was mainly attributable to the Company's holding of shares or increasing its shareholding in listed companies which engage in cement-related business during the Reporting Period, which led to an increase in the Company's strategic investment in the relevant companies;
5. during the Reporting Period, revenue and operating cost increased by 40% and 53% respectively from those of the corresponding period of the previous year, which were

mainly due to the expansion of the Group's production capacity, increase in sales volume, rise in selling prices, and upsurge of price of fuel;

6. during the Reporting Period, investment income increased by 311% from that of the corresponding period of the previous year, which was mainly due to the income earned from financial management during the Reporting Period;

7. From the beginning of the year to the end of the Reporting Period, the Company's net cash inflow generated from financing activities amounted to RMB7.867 billion, representing an increase of 249% from that of the corresponding period of the previous year, which was mainly due to receipt of the proceeds of RMB11.282 billion raised from the Company's issue of 200 million A shares.

3.2 Progress of significant events and analysis of their effects and solutions

☐ Applicable ☒ Not applicable

3.3 Implementation of undertakings made by the Company, and its shareholders and beneficial controllers

In 2007, the Company issued A Shares to Anhui Conch Venture Investment Company Limited ("Conch Venture") as the consideration for the acquisition of four of the Company's subsidiaries in which the Company had controlling interests----49% of the equity interests in Anhui Digang Conch Cement Co., Ltd., 49% of the equity interests in Anhui Zongyang Conch Cement Co., Ltd., 49% of the equity interests in Anhui Chizhou Conch Cement Co., Ltd., and 31.86% of the equity interests in Anhui Tongling Conch Cement Co., Ltd. (collectively, the "Four Companies"), and 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 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 held by Conch Venture 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.

3.4 Warning of and explanation for the accumulated net profit from the beginning of the year to the end of the next reporting period forecast to be a probable loss or to be significantly differed from that of the corresponding period of the previous year

☐ Applicable ☒ Not applicable

3.5 Securities Investment

Stock Code	Abbreviation	Number of shares held as at the end of the Reporting Period (shares)	Initial amount of investment (RMB)	Face value as at the end of the Reporting Period (RMB)	Face value as at the beginning of the Reporting Period (RMB)	Accounting classification
600318	Chaodong Share	39,385,700	98,019,695	110,706,468	142,843,663	Available-for-sale financial assets
000401	Jidong Cement	97,613,788	996,610,466	743,817,065	N/A	
600720	Qilianshan	19,627,081	104,819,315	95,583,884	N/A	
600802	Fujian Cement	18,926,031	94,274,382	72,675,959	N/A	
600801	Huaxin Cement	5,525,580	80,608,417	72,661,377	N/A	
000789	Jiangxi Cement	9,809,320	54,191,780	47,869,482	N/A	
000885	Tongli Cement	5,988,575	44,349,667	37,129,165	N/A	
Total	-	196,876,075	1,472,873,722	1,180,443,400	-	-

Note: As at the beginning of the Reporting Period, the Company did not hold any share of Qilianshan and Huaxin Cement. During the Reporting Period, the number of shares of Fujian Cement, Jidong Cement, Jiangxi Cement and Tongli Cement held by the Company changed.

3.6 Implementation of cash dividend distribution

During the Reporting Period, the Company did not distribute any cash dividends.

Board of Anhui Conch Cement Company Limited

21 October 2008

§ 4 Appendix

4.1 Balance Sheet

Balance Sheet

Prepared by: Anhui Conch Cement Company Limited Unit: RMB Type of audit: Unaudited

Items	As at 30 September 2008 Consolidated	As at 31 December 2007 Consolidated	As at 30 September 2008 The Company	As at 31 December 2007 The Company
Current Assets:				
Monetary capital	5,454,376,013	1,417,683,751	3,896,946,847	473,530,325
Bills receivable	3,486,878,081	3,241,431,916	977,167,497	900,304,048
Accounts receivable	350,866,926	229,507,194	20,705,915	22,530,494
Advance payments	732,897,280	348,691,593	185,919,082	49,673,938
Dividends receivable	-	-	-	374,139,792
Other receivables	233,669,168	186,992,162	7,783,352,483	3,490,478,559
Inventory	2,799,650,720	1,562,551,885	232,148,716	64,593,043
Total current assets	13,058,338,188	6,986,858,501	13,096,240,540	5,375,250,199
Non current assets:				
Available-for-sale financial assets	1,180,443,400	326,901,310	1,179,246,035	326,901,310
Long-term equity investment	162,706,302	162,934,246	14,550,463,043	13,350,476,889
Net amount of fixed assets	21,492,477,566	18,860,176,437	1,045,696,324	566,169,764
Construction in progress	1,438,789,941	1,650,127,843	47,076,081	65,148,414
Construction materials	1,715,395,491	1,375,420,573	9,984,970	9,786,000
Net amount of intangible assets	1,470,934,697	1,383,122,389	221,470,234	101,818,485
Goodwill	16,119,621	16,119,621	-	-
Deferred income tax assets	87,328,243	79,642,132	15,086,122	15,086,122
Other non current assets	244,169,311	199,306,368	-	-
Total non current assets	27,808,364,572	24,053,750,919	17,069,022,809	14,435,386,984
Total assets	40,866,702,760	31,040,609,420	30,165,263,349	19,810,637,183

Legal representative: Guo Wensan

Officer-in-charge of the accounting functions: Ren Yong

Head of the accounting department: Zhou Bo

Balance Sheet (Continued)

Prepared by: Anhui Conch Cement Company Limited Unit: RMB Type of audit: Unaudited

Items	As at 30 September 2008 Consolidated	As at 31 December 2007 Consolidated	As at 30 September 2008 The Company	As at 31 December 2007 The Company
Current liabilities:				
Short-term borrowings	2,564,145,995	2,479,133,436	713,763,320	213,214,404
Bills payable	-	-	200,000,000	280,000,000
Accounts payable	1,976,664,301	1,930,815,405	271,207,714	369,232,687
Receipts in advance	502,956,621	414,063,474	40,579,385	45,081,092
Wages payable	48,095,813	134,272,534	4,620,587	14,657,964
Tax payable	332,275,719	594,617,350	74,665,203	42,598,824
Interests payable	18,964,409	24,631,385	1,383,796	9,516,361
Other payables	1,504,968,994	1,555,244,246	2,505,772,342	3,751,020,772
Non-current liabilities due within one year	3,048,571,412	2,467,656,289	1,030,000,000	250,000,000
Total current liabilities	9,996,643,264	9,600,434,119	4,841,992,347	4,975,322,104
Non current liabilities:				
Long-term borrowings	6,233,439,471	9,822,027,273	1,335,000,000	2,650,000,000
Long-term payables	38,544,008	50,053,417	-	-
Deferred income tax liabilities	20,118,862	20,330,640	-	-
Total non-current liabilities	6,292,102,341	9,892,411,330	1,335,000,000	2,650,000,000
Total liabilities:	16,288,745,605	19,492,845,449	6,176,992,347	7,625,322,104
Owners' equity:				
Share capital	1,766,434,193	1,566,434,193	1,766,434,193	1,566,434,193
Capital reserve	13,813,888,510	3,206,468,273	20,031,798,946	9,470,972,098
Surplus reserve	345,735,802	345,735,802	345,735,802	345,735,802
Unappropriated profits	7,978,702,013	5,960,966,997	1,844,302,061	802,172,986
Equity attributable to owners of the Company	23,904,760,518	11,079,605,265		
Minority interests	673,196,637	468,158,706		
Total owners' equity	24,577,957,155	11,547,763,971	23,988,271,002	12,185,315,079
Total liabilities and owners' equity	40,866,702,760	31,040,609,420	30,165,263,349	19,810,637,183

Legal representative: Guo Wensan

Officer-in-charge of the accounting functions: Ren Yong

Head of the accounting department: Zhou Bo

4.2 Income Statement

Income Statement

Prepared by: Anhui Conch Cement Company Limited Unit: RMB Type of audit: Unaudited

Items	July to September 2008 Consolidated	July to September 2007 Consolidated (As restated)	July to September 2008 The Company	July to September 2007 The Company (As restated)
I. Total revenue	6,477,781,762	4,616,605,576	2,307,059,053	1,114,620,261
Less: Operating cost	(4,893,061,070)	(3,192,832,906)	(2,116,538,724)	(1,027,697,654)
Business tax and surcharges	(40,448,909)	(39,399,813)	(4,525,362)	(2,802,058)
Selling expenses	(352,569,900)	(304,797,742)	(28,184,368)	(11,361,569)
Administrative expenses	(202,683,394)	(186,465,590)	(33,033,378)	(25,648,440)
Financial expenses	(174,661,569)	(142,243,059)	(38,382,046)	(14,179,142)
Loss on impairment of assets	-	-	(1,725,532)	(1,330,463)
Add: investment income	5,172,303	1,258,124	6,052,803	1,258,124
Including: investment income from associates	1,262,387	1,258,124	1,262,387	1,258,124
II. Operating profit	819,529,223	752,124,590	90,722,446	32,859,059
Add: Non-operating income	56,313,672	84,708,987	51,376	41,921,793
Less: Non-operating expenses	(2,516,991)	(6,583,772)	-	(6,800,747)
Including: Loss from disposal of non-current assets	(1,684,500)	(5,394,001)	-	(5,991,129)
III. Total profits	873,325,904	830,249,805	90,773,822	67,980,105
Less: income tax expenses	(156,814,370)	(187,699,921)	(10,021,195)	(33,137,800)
IV. Net profit	716,511,534	642,549,884	80,752,627	34,842,305
Including: net profit realised by the entity to be included in the consolidated statements before the consolidation	-	-	-	-
Net profit attributable to owners of the Company	704,272,294	621,588,716		
Minority interests	12,239,240	20,961,168		
V. Earnings per share				
(1) Basic earnings per share	0.40	0.40		

(2) Diluted earnings per share	0.40	0.40		
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Legal representative: Guo Wensan

Officer-in-charge of the accounting functions: Ren Yong

Head of the accounting department: Zhou Bo

Income Statement (continued)

Prepared by: Anhui Conch Cement Company Limited Unit: RMB Type of audit: Unaudited

Items	January to September 2008 Consolidated	January to September 2007 Consolidated	January to September 2008 The Company	January to September 2007 The Company
I. Total revenue	16,675,368,340	12,971,658,546	5,919,669,921	2,176,620,545
Less: Operating cost	(12,220,630,605)	(9,104,401,175)	(5,485,154,486)	(1,951,882,398)
Business tax and surcharges	(103,452,397)	(91,815,755)	(11,191,888)	(5,504,885)
Selling expenses	(986,488,988)	(884,220,180)	(63,364,742)	(34,187,916)
Administrative expenses	(546,901,582)	(470,625,082)	(78,994,534)	(57,446,289)
Financial expenses	(606,726,610)	(443,319,149)	(139,764,831)	(105,401,264)
Loss on impairment of assets	-	-	(4,766,164)	(3,996,801)
Add: investment income	24,104,083	2,414,004	917,309,171	2,414,004
Including: investment income from associates	3,772,055	2,414,004	3,772,055	2,414,004
II. Operating profit	2,235,272,241	1,979,691,209	1,053,742,447	20,614,996
Add: Non-operating income	199,701,160	256,459,205	421,585	46,034,755
Less: Non-operating expenses	(5,377,174)	(8,946,096)	(140,170)	(6,924,682)
Including: Loss from disposal of non-current assets	(2,567,750)	(5,994,354)	-	- 5,991,129
III. Total profits	2,429,596,227	2,227,204,318	1,054,023,862	59,725,069
Less: income tax expenses	(347,697,516)	(572,754,605)	(11,894,787)	(49,636,775)
IV. Net profit	2,081,898,711	1,654,449,713	1,042,129,075	10,088,294
Including: net profit realised by the entity to be included in the consolidated statements before the consolidation	-	42,353,568	-	-

Net profit attributable to owners of the Company	2,017,735,016	1,502,704,773		
Minority interests	64,163,695	151,744,939		
V. Earnings per share				
(1) Basic earnings per share	1.22	1.04		
(2) Diluted earnings per share	1.22	1.04		

Legal representative: Guo Wensan

Officer-in-charge of the accounting functions: Ren Yong

Head of the accounting department: Zhou Bo

4.3 Cash Flow Statement

Cash Flow Statement

Prepared by: Anhui Conch Cement Company Limited. Unit: RMB Type of audit: Unaudited

Items	2008 Q3 Consolidated	2007 Q3 Consolidated (As restated)	2008 Q3 The Company	2007 Q3 The Company (As restated)
1. Cash flow generated from operating activities:				
Cash received from sale of goods and rendering of services	19,811,401,644	14,864,043,090	6,895,160,548	2,179,119,038
Tax and charges refund	49,350,497	60,257,282	-	6,040,619
Cash received relating to other operating activities	124,108,474	196,201,923	920,325,267	900,811,495
Sub-total of cash inflow from operating activities	19,984,860,615	15,120,502,295	7,815,485,815	3,085,971,152
Cash paid for goods and services	(15,027,838,024)	(10,572,495,345)	(6,888,368,117)	(1,971,370,271)
Cash paid to and on behalf of employees	(486,057,266)	(416,303,176)	(81,147,237)	(42,758,758)
Various types of tax paid	(2,415,362,246)	(1,942,600,337)	(136,571,468)	(115,490,283)
Cash paid relating to other operating activities	(579,077,581)	(310,000,451)	(1,886,715,633)	(185,237,146)
Sub-total of cash outflow from operating activities	(18,508,335,117)	(13,241,399,310)	(8,992,802,455)	(2,314,856,459)
Net cash flow generated from operating activities	1,476,525,498	1,879,102,985	(1,177,316,640)	771,114,693
2. Cash flow generated from investing activities:				
Cash received from sales of investments	1,562,369,583	-	1,548,777,083	50,000,000

Cash received from investment income	4,000,000	4,000,000	399,289,792	15,542,500
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	30,141,945	8,126,000	13,311	3,668,930
Net cash received from disposal of subsidiaries and other operation entities	-	-	-	-
Cash received from other investing activities	53,687,373	12,581,215	29,578,811	4,839,723
Sub-total of cash inflow from investing activities	1,650,198,901	24,707,215	1,977,658,997	74,051,153
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	(3,993,581,227)	(4,128,475,941)	(46,051,243)	(64,602,508)
Cash paid for investments	(2,921,949,551)	(98,019,695)	(2,910,078,825)	(98,019,695)
Net cash paid from acquisition of subsidiaries and other operation entities	-	-	(1,809,365,411)	(556,116,000)
Net cash paid for acquisition of minority interest	(10,709,000)	-	-	-
Cash paid for other investing activities	(39,260,000)	(70,245,373)	(3,332,713,337)	-
Sub-total of cash outflow from investing activities	(6,965,499,778)	(4,296,741,009)	(8,098,208,816)	(718,738,203)
Net cash flow generated from investing activities	(5,315,300,877)	(4,272,033,793)	(6,120,549,819)	(644,687,050)
3. Cash flow generated from financing activities:				
Cash received from contribution of investments	11,442,057,207	-	11,282,057,207	-
Cash received from borrowings	4,631,645,995	5,788,350,341	1,763,763,320	780,000,000
Cash received from other financing activities	-	-	-	-
Sub-total of cash inflow from financing activities	16,073,703,202	5,788,350,341	13,045,820,527	780,000,000
Cash paid for repaying borrowings	(7,554,306,115)	(2,820,653,000)	(2,170,000,000)	(730,000,000)
Cash paid for distribution of dividends, profits or payment of interest	(652,131,985)	(715,565,190)	(161,017,984)	(370,363,816)
Cash paid for other financing activities	-	-	-	-

Sub-total of cash outflow from financing activities	(8,206,438,100)	(3,536,218,190)	(2,331,017,984)	(1,100,363,816)
Net cash flow generated from financing activities	7,867,265,102	2,252,132,151	10,714,802,543	(320,363,816)
4. Effect of changes in foreign exchange rates on cash and cash equivalents	-	-	-	-
5. Net increase in cash and cash equivalents	4,028,489,723	(140,798,657)	3,416,936,084	(193,936,173)
Add: Cash and cash equivalents at the beginning of the period	1,411,707,022	1,331,084,022	469,638,962	596,359,488
6. Cash and cash equivalents at the end of the period	5,440,196,745	1,190,285,365	3,886,575,046	402,423,315

Legal representative: Guo Wensan

Officer-in-charge of the accounting functions: Ren Yong

Head of the accounting department: Zhou Bo

By order of the Board
Anhui Conch Cement Company Limited
Zhang Mingjing
Company Secretary

Wuhu City, Anhui Province, the PRC
21 October 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.