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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 2009

- Revenue for the six months ended 30 June 2009, prepared in accordance with International Financial Reporting Standards ("IFRS"), amounted to RMB 11,236.06 million representing an increase of approximately 10.18% over the corresponding period of last year.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2009, prepared in accordance with IFRS, was RMB1,274.09 million, representing a decrease of approximately 2.33% over the corresponding period of last year.
- Basic earnings per share for the six months ended 30 June 2009, prepared in accordance with IFRS, was RMB0.72.

Unless otherwise stated, the currency unit in this announcement refers to Renminbi ("RMB"), the lawful currency of the People's Republic of China ("PRC"); unless otherwise stated, the financial information in this announcement is prepared in accordance with China Accounting Standards for Business Enterprises (2006) ("PRC Accounting Standards").

I. BASIC CORPORATE INFORMATION OF THE COMPANY

1. Basic information

Name of the Company	Anhui Conch Cement Company Limited ("the Company")
A shares ("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 ("H Shares") stock code	0914
Exchange on which H Shares are listed	The Stock Exchange of Hong Kong Limited ("Stock Exchange")
Office address	1011 Jiuhua South Road, Wuhu City, Anhui Province, the PRC
Postal code	241070

2. Contact persons and means of contact

	Secretary to the board ("Board") of directors ("Directors")	Securities affairs representative
Name	Zhang Mingjing	Yang Kaifa
Contact address	1011 Jiuhua South Road Wuhu City, Anhui Province, the PRC	1011 Jiuhua South Road Wuhu City, Anhui Province, the PRC
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II. ACCOUNTING DATA AND FINANCIAL INDICATORS

1. Financial summary prepared in accordance with the IFRS

Item	Six months ended 30 June 2009 (RMB'000)	Six months ended 30 June 2008 (RMB'000)	Increase/ (decrease) over the same period of the pervious year (%)
Revenue	11,236,056	10,197,587	10.18
Net profit attributable to shareholders of the Company	1,274,089	1,304,440	(2.33)
	As at 30 June 2009 (RMB'000)	As at 31 December 2008 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets	42,053,084	42,383,736	(0.78)
Total liabilities	15,913,123	17,496,416	(9.05)

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

(1) Major financial data and indices

Items	As at 30 June 2009 (RMB'000)	As at 31 December 2008 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets	42,199,552	42,532,123	(0.78%)
Total equity attributable to shareholders of the Company	26,128,439	24,796,664	5.37%
Net assets per share attributable to shareholders of the Company (RMB/share)	14.79	14.04	5.34%

Items	Six months ended 30 June 2009 (RMB' 000)	Six months ended 30 June 2008 (RMB'000)	Increase/ (decrease) over the same period of the pervious year (%)
Operating profit	1,504,848	1,415,743	6.29%
Profit before taxation	1,601,600	1,556,270	2.91%
Net profit attributable to shareholders of the Company	1,297,121	1,313,463	(1.24%)
Net profit attributable to shareholders of the Company after extraordinary items	1,227,125	1,219,230	0.65%
Basic earnings per share (RMB)	0.73	0.82	(10.98%)
Net cash flow generated from operating activities	4,400,424	1,047,926	319.92%
Net cash flow per share generated from operating activities (RMB)	2.49	0.59	322.03%
Return on net assets (fully diluted) (%)	4.96	5.59	Decreased by 0.63 percentage points

(2)Extraordinary items and amounts thereof for the reporting period (“Reporting Period”, i.e. the period from 1 January 2009 to 30 June 2009)

Item	(RMB' 000) Amount
(1) Loss on disposals of long term equity investment and fixed assets	(870)
(2) Government subsidy income	85,248
(3) Net realized gain on disposal of trading equity securities and available-for-sale equity securities	6,381

(4) Other extraordinary items	2,239
(5) Effect of extraordinary items on income tax	(20,429)
(6) Effect of extraordinary items on minority interests	(2,573)
Net amount of extraordinary items	69,996

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

	Net profit attributable to equity shareholders of the Company		Equity attributable to equity shareholders of the Company	
	Six months ended 30 June 2009 (RMB'000)	Six months ended 30 June 2008 (RMB'000)	As at 30 June 2009 (RMB'000)	As at 31 December 2008 (RMB'000)
As reported in the statutory financial statements prepared in accordance with PRC Accounting Standards	1,297,121	1,313,463	26,128,439	24,796,664
- Reversal of valuation surplus of land use rights upon restructuring of the Company and its subsidiaries (collectively called "Group")	1,919	1,919	(146,469)	(148,387)
- Deferral of subsidy income not subject to "China Accounting Standards for Business Enterprises No.16 – Government Subsidy" in accordance with IFRS	(24,951)	(10,942)	(295,653)	(226,804)
As reported in accordance with IFRS	1,274,089	1,304,440	25,686,317	24,421,473

III. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SHAREHOLDERS

1. Change in share capital

During the Reporting Period, there was no change in the total number of shares of the Company. On 2 March 2009, 496,912,000 A Shares with trading restrictions held by Anhui Conch Holdings Co., Ltd. ("Conch Holdings"), the controlling shareholder of the Company, imposed under share segregation reform were released from trading restrictions and commenced trading. The changes of the shareholdings structure of the Company are as follows:

Class of shares	Number of shares before the change (shares)	Change (shares)	Number of shares after the change (shares)
I. Total floating A Shares with trading restrictions	807,752,316	-496,912,000	310,840,316
1. Floating shares with trading restrictions held by state-owned legal persons	519,667,147	-496,912,000	22,755,147
2. Floating shares with trading restrictions held by other domestic shareholders	288,085,169	—	288,085,169

II. Total floating A Shares without trading restrictions	525,481,877	496,912,000	1,022,393,877
III. Floating H Shares	433,200,000	—	433,200,000
Total	1,766,434,193	0	1,766,434,193

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

As at 30 June 2009, the Company had a total of 21,817 shareholders, 62 of which were holders of H Shares.

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. Conch Holdings	State-owned shareholder	607,202,113	34.37%	A Shares	No (Notes 1 and 3)
	State-owned shareholder	22,755,147	1.29%	A Shares	Yes (Notes 1 and 3)
2. Anhui Conch Venture Investment Company Limited ("Conch Venture")	Other	287,999,046	16.30%	A Shares	Yes (Notes 2 and 3)
3. HKSCC Nominees Limited	Foreign shareholder	432,724,997	24.50%	H Shares	No (Note 4)
4. Bank of Communications - E Fund Technology and Information Securities Investment Fund	Other	15,023,910	0.85%	A Shares	No
5. Bank of China – Dacheng Blue Chip Steady Securities Investment Fund	Other	13,896,531	0.79%	A Shares	No
6. International Capital Corporation	Other	7,864,523	0.45%	A Shares	No
7. Industrial & Commercial Bank of China - Hua An Mid-cap & Small-cap Growth Equity Securities Investment Fund	Other	7,728,570	0.44%	A Shares	No
8. China Life Insurance Company Limited – Dividend Payout - Individual Dividend Payout - 005L - FH002 Shanghai	Other	7,595,189	0.43%	A Shares	No
9. Industrial & Commercial Bank of China - CCB Optimising Allocation Mixed Security Investment Fund	Other	7,510,486	0.43%	A Shares	No
10. Yale University	Other	7,420,263	0.42%	A Shares	No
11. Bank of Communications – Fuguo Tianyi Value Securities Investment Fund	Other	7,020,838	0.40%	A Shares	No

Notes:

(1) Conch Holdings held in aggregate 629,957,260 A Shares of the Company, of which 496,912,000 A Shares commenced trading on 2 March 2009 during the Reporting Period. As at 30 June 2009, 22,755,147 A Shares of the Company 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 as at the end of the Reporting Period.

(3) During the Reporting Period, the shares of the Company held by Conch Holdings and Conch Venture were not subject to pledge, moratorium or trust.

(4) HKSCC Nominees Limited held 432,724,997 H Shares, representing 24.50% of the total share capital of the Company, and 99.89% of the issued H share capital of the Company, on

behalf of its various clients.

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

(6) As at 30 June 2009, the following persons (other than the Directors, supervisors and chief executive of the Company) held interests or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) ("SFO"):

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	629,957,260 A Shares (long position) (Note a)	Interests of a controlled corporation	47.25% (Note b)
Conch Venture	287,999,046 A Shares (long position) (Note a)	Beneficial owner	21.60% (Note b)
JPMorgan Chase & Co.	86,811,916 H Shares (long position) (Note d)	Beneficial owner/ investment manager/ custodian	20.04% (Note c)
JPMorgan Chase & Co.	465,000 H Shares (short position) (Note d)	Beneficial owner	0.11% (Note c)
Morgan Stanley	33,774,936 H Shares (long position) (Note e)	Interests of a controlled corporation	7.80% (Note c)
Morgan Stanley	11,971,354 H Shares (short position) (Note e)	Interests of a controlled corporation	2.76% (Note c)
UBS AG	21, 584,580 H Shares (long position) (Note f)	Interests of a controlled corporation/ beneficial owner	4.98% (Note c)

UBS AG	25,636,557 H Shares (short position) (Note f)	Person having a security interest in shares / interests of a controlled corporation/ beneficial owner	5.92% (Note c)
Taiwan Cement Corporation	38,856,000 H Shares (long position) (Note g)	Interests of a controlled corporation	8.97% (Note c)
The Capital Group Companies, Inc.	38,619,000 H Shares (long position) (Note h)	Investment manager	8.91% (Note c)
Genesis Asset Managers, LLP	24,548,245 H Shares (long position)	Investment manager	5.67% (Note c)
FIL Limited	21,658,000 H Shares (long position)	Investment manager	5.00% (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.

The 629,957,260 A Shares of Conch Venture 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. in respect of the relevant event that occurred on 25 June 2009, these shares were held through certain subsidiaries of JPMorgan Chase & Co. The 86,811,916 H Shares (long position) were held as to 1,356,800 H Shares in the capacity of beneficial owner; 59,818,000 H Shares in the capacity of investment manager; and 25,637,116 H Shares (securities in lending pool) in the capacity of custodian.

(e) According to the disclosure of interests form submitted by Morgan Stanley in respect of relevant event that occurred on 29 June 2009, these shares were held through certain subsidiaries of Morgan Stanley.

(f) According to the disclosure of interests form submitted by UBS AG in respect of the relevant event that occurred on 31 December 2008, these shares were held through certain subsidiaries of UBS AG. The 21,584,580 H Shares (long position) were held as to 15,410,023 shares in the capacity of beneficial owner; 6,174,557 shares in the capacity of interest of a controlled corporation. The 25,636,557 H Shares (short position) were held as to 14,649,000

shares in the capacity of beneficial owner; 5,184,000 shares in the capacity of a person having a security interest in shares; and 5,803,557 shares in the capacity of interest of a controlled corporation.

(g) According to the disclosure of interests form submitted by Taiwan Cement Corporation in respect of the relevant event that occurred on 11 December 2008, these shares were held through certain subsidiaries of Taiwan Cement Corporation.

(h) According to the disclosure of interests form submitted by The Capital Group Companies, Inc. in respect of the relevant event that occurred on 21 May 2009, these shares were held through certain subsidiaries of The Capital Group Companies, Inc.

Save for the aforesaid shareholders, as at 30 June 2009, the Company was not aware of any interests and short position as recorded in the register required to be kept pursuant to section 336 of the SFO.

(3) PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2009, 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 2009, none of the Directors, chief executive and supervisors of the Company nor any of their respective associates held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), nor had they been granted or exercised the above interests or rights, which were recorded in the register of the Company required to be kept and maintained in accordance with section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules of the Stock Exchange”).

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

2. Code on Corporate Governance Practices

For the six months ended 30 June 2009, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules of the Stock Exchange.

V. MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ENVIRONMENT

During the first half of 2009, the impact of the global financial crisis on China further intensified, resulting in a sharp fall in exports and a slowdown in the growth of domestic

demand. In this regard, the Chinese government has promulgated a number of economic stimulus policies to strengthen the investment in domestic infrastructural facilities and private sector construction projects. Such policies have facilitated the stability and recovery of the economy of China, maintaining a steady and relatively fast growth. The Gross Domestic Product recorded a growth of 7.1% from that of the corresponding period of last year, down by 3.3 percentage points as compared to that in the same period last year. The total investment in fixed assets of the nation recorded a growth of 33.5% from that of the corresponding period of last year, up by 7.2 percentage points as compared to that in the same period last year. (Source: *National Bureau of Statistics of China*)

During the first half of 2009, benefiting from the successive implementation of the government's RMB4,000 billion investment proposal, the investment in infrastructure construction including highspeed railways, expressways and airports saw significant expansion. This has accelerated the pace of development, driving the demand for cement to achieve relatively fast growth. The country's cement production volume reached 735 million tonnes, representing a growth of 14.9% from that of the corresponding period of last year, up by 6.2 percentage points as compared to that in the same period last year. (Source: Digital Cement)

ANALYSIS OF OPERATION

Operations

During the first half of 2009, in order to actively cope with the adverse impact of the global financial crisis on the economic growth of China, the Group took the initiative to adjust the operating strategies of the Company and endeavored to expand the key construction projects and new rural development markets so as to maximise the utilization of production capacity of the Company. Meanwhile, the Group continued to accelerate the development of various construction projects to maintain continuous, stable and sound development of the Company.

During the Reporting Period, the Group maintained constant and stable growth in its production and sales volume, as well as revenue from principal activities. The revenue from principal activities prepared in accordance with the PRC Accounting Standards amounted to RMB11,150 million, representing a growth of 10.81% from that of the corresponding period of last year; net profit attributable to equity shareholders of the Company amounted to RMB1,297 million, representing a decrease of 1.24% from that of the corresponding period of last year and earnings per share was RMB0.73. The Group's revenue prepared in accordance with IFRS amounted to RMB11,236 million, representing a growth of 10.18% from that of the corresponding period of last year; net profit attributable to shareholders of the Company amounted to RMB1,274 million, representing a decrease of 2.33% from that of the corresponding period of last year and earnings per share was RMB0.72.

During the Reporting Period, constructions of three production lines with a daily production capacity of 5,000 tonnes of clinker of Shuangfeng Conch Cement Co., Ltd. ("Shuangfeng Conch") (phase two), Xing'an Conch Cement Co., Ltd. ("Xing'an Conch") (phase two) and Hunan Conch Cement Co., Ltd. ("Hunan Conch") and seven cement grinding units of subsidiaries including Anhui Digang Conch Cement Co., Ltd. ("Digang Conch"), Shimen Conch Cement Co., Ltd. ("Shimen Conch") and Qiangjiao Conch Cement Co., Ltd. (phase two) were completed and production commenced, generating an additional clinker production capacity of 5.40 million tonnes and an additional cement production capacity of 5.50 million tonnes.

Meanwhile, the four residual heat electricity generation units of Yiyang Conch Cement Co., Ltd. (“Yiyang Conch”), Fenyi Conch Cement Co., Ltd., Shimen Conch and Xingye Kuiyang Conch Cement Co., Ltd. commenced operation with an additional residual heat electricity generation capacity of 63MW.

Sales

During the Reporting Period, the Group achieved a net sales volume of 54.33 million tonnes of cement and clinker, representing an increase of 20.46% over that of the same period last year, mainly driven by the growth of demand from the highspeed railway, expressway and airport projects and urban development. In particular, the sales in Central China outperformed that in Eastern China and Southern China, accordingly, the Group’s sales amount in Central China grew by 35.42% as compared to that in the same period last year. With respect to the international market, the international market demand fell sharply as a result of the global financial crisis. The Group’s export sales amount dropped by 43.54% as compared to that in the same period last year.

Sales amount by region

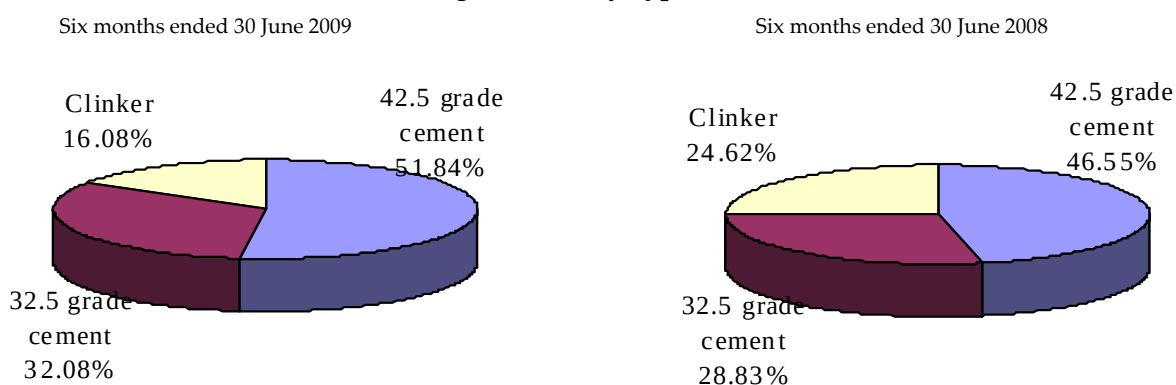
Region	Six months ended 30 June 2009		Six months ended 30 June 2008		Increase/ (decrease) in sales (%)	Change in sales proportion (percentage points)
	Sales (RMB’000)	Percentage (%)	Sales (RMB’000)	Percentage (%)		
East China ^{Note 1}	4,792,497	42.98	4,479,224	44.52	6.99	(1.54)
Central China ^{Note 2}	3,113,596	27.93	2,299,277	22.85	35.42	5.08
South China ^{Note 3}	2,273,279	20.39	1,979,922	19.68	14.82	0.71
West China ^{Note 4}	234,315	2.10	-	-	-	2.10
Export	735,932	6.60	1,303,444	12.95	(43.54)	(6.35)
Total	11,149,619	100.00	10,061,867	100.00	10.81	-

Notes:

1. East China includes Jiangsu province, Zhejiang province, Fujian province and Shanghai city;
2. Central China includes Anhui province, Jiangxi province and Hunan province;
3. South China includes Guangdong province and Guangxi province;
4. West China includes Sichuan province and Chongqing city.

During the Reporting Period, taking into consideration of the market demand, the Group continued to optimise the product sales structure, to enhance the utilization rate of the cement grinding mills and to increase the sales volume of cement. Both 42.5 grade cement and 32.5 grade cement saw an increase in their sales proportion.

Percentage of Sales by Type of Products



PROFIT ANALYSIS

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

Item	Amount		Change from that of the corresponding period of last year (%)
	Six months ended 30 June 2009 (RMB'000)	Six months ended 30 June 2008 (RMB'000)	
Revenue from principal activities	11,149,619	10,061,867	10.81
Profit from operations	1,504,848	1,415,743	6.29
Profit before taxation	1,601,600	1,556,270	2.91
Net profit attributable to equity shareholders of the Company	1,297,121	1,313,463	(1.24)
Net cash flow from operating activities	4,400,424	1,047,926	319.92

During the Reporting Period, the profit from operations of the Group amounted to RMB1,504.85 million, representing an increase of 6.29% from that of the corresponding period of last year. The profit before taxation amounted to RMB1,601.60 million, representing an increase of 2.91% from that of the corresponding period of last year. The net profit attributable to equity shareholders of the Company amounted to RMB1,297.12 million, representing a decrease of 1.24% from that of the corresponding period of last year.

Gross margin by type of product for the six months ended 30 June 2009 and comparison with that of the corresponding period of last year

Product	Revenue from principal activities (RMB'000)	Cost of principal activities (RMB'000)	Gross margin during the Reporting Period (%)	Gross margin for the same period last year (%)	Change of gross margin in percentage points from that of the corresponding period of last year
42.5 grade cement	5,780,209	4,357,039	24.62	27.09	(2.47)
32.5 grade cement	3,576,562	2,530,623	29.24	35.06	(5.82)
Clinker	1,792,848	1,424,793	20.53	22.84	(2.31)
Total	11,149,619	8,312,455	25.45	28.33	(2.88)

During the Reporting Period, the Group adopted proactive and effective cost control measures and capitalised on the market opportunities arising from the falling coal prices to fine-tune the sourcing channels and logistics of raw materials and fuels including coal and to lower the consolidated procurement costs. At the same time, the Group continued to expand its energy-saving and technological modification projects to reduce the consumption of coal and electricity. The percentage of coal and electricity expenses to the total costs was 64.58%, down by 4.03 percentage points as compared to that in the same period last year, whereas the consolidated costs dropped by 4.31 percentage points as compared to that in the same period last year. However, as a result of the slowdown in economic growth and weak market

demand, the composite price of products has recorded a relatively significant fall as compared to that in the same period last year; accordingly, the consolidated gross margin of the Group recorded a reduction of 2.88 percentage points from that of the corresponding period of last year.

Change in major expenses items prepared in accordance with the PRC Accounting Standards

Expenses for the period	Amount for the Reporting Period (RMB'000)	Amount for the same period last year (RMB'000)	As a percentage to revenue from principal activities for the Reporting Period (%)	As a percentage to revenue from principal activities for the same period last year (%)	Change in proportion to revenue from principal activities in percentage points
Selling expenses	704,118	633,919	6.32	6.30	0.02
Administrative expenses	410,131	344,218	3.68	3.42	0.26
Financial expenses (net)	184,323	432,065	1.65	4.29	(2.64)
Total	1,298,572	1,410,202	11.65	14.01	(2.36)

During the Reporting Period, the Group's selling expenses, administrative expenses and financial expenses were controlled effectively, among which the financial expenses as a percentage to revenue from principal activities fell by 2.64 percentage points as compared to that in the same period last year, which was primarily attributable to the significant reduction of bank loans for the Reporting Period over that in the same period last year and the decline in lending rates.

Financial Position

Assets and Liabilities Structure

As at 30 June 2009, the Group's total assets, total liabilities and equity attributable to shareholders of the Company, prepared in accordance with the PRC Accounting Standards, amounted to RMB42,199.55 million, RMB15,611.52 million and RMB26,128.44 million respectively, representing a decrease of 0.78%, a decrease of 9.57% and an increase of 5.37% respectively as compared to those at the end of the previous year.

As at 30 June 2009, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 36.99%, a decrease of 3.60 percentage points as compared to that at the end of the previous year.

**Change in assets and liabilities prepared in accordance with the PRC
Accounting Standards**

Item	As at 30 June 2009 (RMB'000)	As at 31 December 2008 (RMB'000)	Change as at the end of the Reporting Period to those as at the beginning of the year (%)
Fixed assets	23,403,006	22,435,101	4.31
Current and other assets	18,796,546	20,097,022	(6.47)
Total assets	42,199,552	42,532,123	(0.78)
Current liabilities	9,777,344	11,174,234	(12.50)
Non-current liabilities	5,834,176	6,089,682	(4.20)
Minority interests	459,593	471,543	(2.53)
Equity attributable to the shareholders of the Company	26,128,439	24,796,664	5.37
Total liabilities and shareholders' equity	42,199,552	42,532,123	(0.78)

Liquidity and sources of funds

As at 30 June 2009, the Group's current assets and other assets, prepared in accordance with the PRC Accounting Standards, were RMB18,796.55 million, representing a decrease of 6.47% as compared to that at the end of the previous year. The total current liabilities amounted to RMB9,777.34 million, representing a decrease of 12.50% as compared to that at the end of the previous year. The current ratio was 1.01:1, as compared to 1.21:1 as at the end of the previous year.

As at 30 June 2009, the Group's total current assets and total current liabilities, prepared in accordance with IFRS, were RMB10,397.99 million and RMB9,777.34 million respectively. The net gearing ratio was 0.15, as compared to 0.16 as at the end of the previous year.

Maturity analysis of bank loans and other borrowings of the Group as at 30 June 2009 was as follows:

	As at 30 June 2009	As at 31 December 2008
	(RMB'000)	(RMB'000)
Due within 1 year	3,248,800	4,795,176
Due after 1 year but within 2 years	2,270,000	2,609,000
Due after 2 years but within 5 years	2,753,000	2,624,000
Due after 5 years	758,182	800,455
Total	9,029,982	10,828,631

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

	Six months ended 30 June 2009 (RMB'000)	Six months ended 30 June 2008 (RMB'000)
Net cash flows generated from operating activities	4,400,424	1,047,926
Net cash flows generated from investing activities	(3,483,189)	(4,520,405)
Net cash flows generated from financing activities	(2,679,350)	9,786,895
Net increase in cash and cash equivalents	(1,762,115)	6,314,415
Balance of cash and cash equivalents at the beginning of the period	6,751,211	1,411,707
Balance of cash and cash equivalents at the end of the period	4,989,096	7,726,122

During the Reporting Period, the net cash flow generated from operating activities of the Group grew by 319.92% over that in the same period last year, which was mainly attributable to the business expansion, increase in sales volume and the maturity during the Reporting Period of the endorsed and discounted and unexpired bank acceptance bills, which made up a large proportion of the bills receivable at the beginning of the year. The net cash flow generated from financing activities of the Group saw a relative large reduction as compared to that in the same period last year, mainly attributable to the repayment of bank loans, bank acceptance bills and commercial acceptance bills during the Reporting Period.

Capital Expenditure

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB3,571 million, which was primarily used in the investment in construction of cement and clinker production lines and the residual heat electricity generation projects.

As at 30 June 2009, capital commitments in respect of the purchase of machinery and equipment for production that were committed but have not been provided for in the accounts were set out as follows:

	As at 30 June 2009	As at 31 December 2008
	(RMB'000)	(RMB'000)
Authorized and contracted for	4,409,166	4,219,590
Authorized but not contracted for	10,016,547	7,685,571
Total	14,425,713	11,905,161

INVESTMENT IN PROJECTS

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

During the Reporting Period, as approved in the first extraordinary general meeting for 2009, the class meeting for holders of H Shares and the class meeting for holders of A Shares held on 17 February 2009, the Company changed the plan for the investment projects ("Investment Projects") proposed to be financed by the proceeds ("Proceeds") raised from the public offer of A Shares in 2008 of 2×18MW residual heat electricity generation project of Prosperity Conch Cement Co., Ltd. ("Prosperity Conch") and the second set of the 2×18MW residual heat electricity generation project of Anhui Xuancheng Conch Cement Co., Ltd. ("Xuancheng Conch"). The above projects were no longer funded by the Proceeds and the Company has applied the relevant portion of the Proceeds and the balance of unused Proceeds of the Investment Projects in the total sum of RMB1,201.23 million in the following projects:

(Unit: RMB'000)

Item	Description of proposed investment projects	Progress of the project	Total investment of the project	Investment amount proposed to be funded by the Proceeds
1	Project (phase one) of the cement and clinker production line with a daily production capacity of 4,500 tonnes, 2.20 million tonnes cement grinding unit and 18MW residual heat electricity generation unit of Chongqing Conch Cement Co., Ltd. ("Chongqing Conch")	Under construction	903,700	300,000
2	Project (phase one) of the cement and clinker production line with a daily production capacity of 4,500 tonnes, 2.20 million tonnes cement grinding unit and 18MW residual heat electricity generation unit of Dazhou Conch Cement Co., Ltd. ("Dazhou Conch")	Under construction	787,850	300,000
3	Project (phase one) of the cement and clinker production line with a daily production capacity of 4,500 tonnes, 2.20 million tonnes cement grinding unit and 18MW residual heat	Under construction	716,170	300,000

	electricity generation unit of Guangyuan Conch Cement Co., Ltd. ("Guangyuan Conch")			
4	Project (phase one) of the cement and clinker production line with a daily production capacity of 4,500 tonnes, 2.20 million tonnes cement grinding unit and 9MW residual heat electricity generation unit of Pingliang Conch Cement Co., Ltd. ("Pingliang Conch")	Under construction	767,250	300,000
	Sub-total	-	3,174,970	1,200,000
5	Repayment of bank loans	-	-	1,230
	Total	-	3,174,970	1,201,230

For details of the change in the use of part of the Proceeds and the use of the remaining Proceeds, please refer to the announcement of the Company published on the website of the Stock Exchange on 31 December 2008 and the relevant announcements published on Shanghai Securities Journal, the SSE website and the Company's website on 5 January 2009.

Details of the use of Proceeds of the 2008 Investment Projects and the new investment projects upon the above change during the Reporting Period and the gain from the projects were set out as follows:

(Unit: RMB'000)

Item	Description of Project	Progress of the project	Fund used during the Reporting Period	Gain from project
1	The technology upgrade of the 2x4,500t/d cement and clinker production lines of Digang Conch	In operation	-	35,220
2	4x4,500t/d clinker production lines project of Anhui Chizhou Conch Cement Co., Ltd. ("Chizhou Conch")	Two in operation Two under construction	-	22,060
3	2x4,500t/d cement and clinker production lines project of Yiyang Conch	One in operation One under construction	65,060	8,190
4	Construction of the 5,000t/d cement production line using the new dry-process method of Shimen Conch	In operation	-	28,230
5	The technology upgrade of the 4,500t/d cement and clinker production line (phase two) of Shuangfeng Conch	In operation	21,500	20,360
6	The technology upgrade of the 4,000t/d cement and clinker production line using the dry-process method of Hunan Conch	In operation	50,420	300
7	The technology upgrade of the second 4,500t/d cement and clinker production line using the new dry-process method of Fusui Xinning Conch Cement Co., Ltd. ("Fusui Conch")	In operation	460	39,370
8	The technology upgrade of the 4,000t/d clinker using the new dry-process method in the cement production line of Xing'an Conch	In operation	18,260	30,610
9	The technology upgrade of the 4,000t/d clinker using the new dry-process method in the cement production line of Beiliu Conch Cement Co., Ltd. ("Beiliu Conch")	In operation	21,080	60,650
10	The technology upgrade of the 4,500t/d cement and clinker production line (phase two) of Beiliu Conch	Under construction	81,510	-

11	Project (phase one) of the 4,500t/d cement and clinker production line, 2.20 million tonnes cement grinding unit and 18MW residual heat electricity generation unit of Chongqing Conch	Under construction	245,440	-
12	Project (phase one) of the 4,500t/d cement and clinker production line, 2.20 million tonnes cement grinding unit and 18MW residual heat electricity generation unit of Dazhou Conch	Under construction	182,910	-
13	Project (phase one) of the 4,500t/d cement and clinker production line, 2.20 million tonnes cement grinding unit and 18MW residual heat electricity generation unit of Guangyuan Conch	Under construction	178,140	-
14	Project (phase one) of the 4,500t/d cement and clinker production line, 2.20 million tonnes cement grinding unit and 9MW residual heat electricity generation unit of Pingliang Conch	Under construction	217,360	-
15	2×18MW residual heat electricity generation units project of Wuhu Conch Cement Co., Ltd.	In operation	-	63,380
16	The 1st set of 2×18MW residual heat electricity generation units project of Xuancheng Conch	In operation	-	31,320
17	2×18MW residual heat electricity generation units project of Chizhou Conch	One in operation One under construction	800	26,480
18	18MW residual heat electricity generation unit project of Digang Conch	In operation	-	29,550
19	18MW residual heat electricity generation unit project of Anhui Zongyang Conch Cement Co., Ltd. ("Zongyang Conch")	Under construction	21,740	-
20	12MW residual heat electricity generation unit project of Baimashan Cement Plant	In operation	-	20,120
21	18MW residual heat electricity generation unit project of Anhui Huaining Conch Cement Co., Ltd.	In operation	-	36,490
22	16.3MW and 30.5MW residual heat electricity generation units project of Anhui Tongling Conch Cement Co., Ltd. ("Tongling Conch")	In operation	-	78,110
23	11.6MW and 17MW residual heat electricity generation units project of Chizhou Conch	In operation	4,260	52,310
24	15MW and 18.5MW residual heat electricity generation units project of Zongyang Conch	In operation	920	51,410
25	The technology upgrade of the 18MW pure low-temperature residual heat electricity generation unit project of Beiliu Conch	In operation	11,320	9,620
26	The technology upgrade of the 18MW pure low-temperature residual heat electricity generation unit project of Fusui Conch	In operation	-	22,070
27	The technology upgrade of the 18MW pure low-temperature residual heat electricity generation unit project of Xing'an Conch	In operation	10,240	19,260
28	18MW pure low-temperature residual heat electricity generation unit project of Shimen Conch	In operation	10,260	8,040
29	18MW residual heat electricity generation unit project of Shuangfeng Conch	In operation	17,500	15,910
30	9.1MW residual heat electricity generation unit project of Hunan Conch	Under construction	3,710	-
31	24MW residual heat electricity generation unit project of Zhangguo Cement Co., Ltd.	In operation	2,270	42,230
32	The cement equipment and spare parts processing centre project of Anhui Conch Machinery & Electric Co., Ltd ("Conch M & E")	In operation	7,260	4,090
33	The new dry-process method for urban waste treatment project of Tongling Conch	Under construction	-	-
34	The technology upgrade of energy-saving project of the Company	Completed	-	17,000

35	Optimisation of financial structure and repayment of bank loans project	Repaid	-	-
Total			1,172,420	772,380

Note: As at 30 June 2009, the Company had utilized a total sum of RMB9,279,690,000 of the Proceeds. The balance of the Proceeds was RMB2,079,950,000, of which RMB77,570,000 were interests accrued on the Proceeds.

3. Major projects during the Reporting Period using funds other than the Proceeds

Item	Description of Project	Progress of the project	Fund used during the Reporting Period (RMB'000)
1	Project (phase one) of the 2x5,000 t/d clinker production lines, 18MW residual heat electricity generation unit and 2.20 million tonnes cement grinding unit of Guangdong Qingxin Cement Co., Ltd.	Under construction	377,880
2	Project of the 2x4,500t/d clinker production lines (phase four) of Zongyang Conch	Under construction	282,910
3	Project of the 4,500 t/d clinker production line, 9MW residual heat electricity generation unit and 2.20 million tonnes cement grinding unit of Linxiang Conch Cement Co., Ltd.	Under construction	169,650
4	Project of the 4,500 t/d clinker production line, 9MW residual heat electricity generation unit and 2 million tonnes cement grinding unit of Qianyang Conch Cement Co., Ltd. ("Qianyang Conch")	Under construction	17,930
5	Project of the 4,500t/d clinker production line (phase one) of Quanjiao Conch Cement Co., Ltd.	Under construction	105,390
6	Project (phase one) of the 2x4,500 t/d cement and clinker production lines and 18MW residual heat electricity generation unit of Liquan Conch Cement Co., Ltd. ("Liquan Conch")	Under construction	56,740
7	2.20 million tonnes cement grinding unit of Taizhou Yangwan Conch Cement Co., Ltd.	Under construction	124,140
8	3.30 million tonnes cement grinding unit of Liu'an Conch Cement Co., Ltd.	Under construction	137,410
9	2.20 million tonnes cement grinding unit of Jiangxi Ganjiang Conch Cement Co., Ltd.	Under construction	52,770
Total			1,324,820

3. Investment in project companies during the Reporting Period

The following project companies were established by the Company during the Reporting Period:

Item	Company name	Place of registration	Registered capital (RMB)	Percentage of shareholding by the Company
1	Zunyi Conch Panjiang Cement Co., Ltd.	Zunyi city, Guizhou province	160,000,000	50%
2	Liquan Conch	Liquan county, Shaanxi province	180,000,000	100%
3	Qianyang Conch	Qianyang county, Shaanxi province	180,000,000	100%
4	Huainan Conch Cement Co., Ltd.	Huainan city, Anhui province	100,000,000	100%

5	Yangchun Conch Cement Co., Ltd.	Yangchun city, Guangdong province	180,000,000	100%
6	Jining Conch Cement Co., Ltd.	Jining city, Shandong province	200,000,000	100%

PROSPECTS FOR THE SECOND HALF OF THE YEAR

Looking into the second half of 2009, as the Central government will continue to launch proactive fiscal policies and moderately relaxed monetary policies to stimulate the economic growth of China, alongside with the implementation of the State's RMB4,000 billion investment proposal. Acceleration in infrastructure development will drive the growth of cement demand. At the same time, we are aware that the substantial increase of investments in the cement sector will be driven by the robust market demand in certain regional areas. The production capacity of the cement industry is expected to expand further with intensified competition among regional markets.

In the light of this, in the second half of the year, the Group will continue to expedite the implementation of the western region strategies, accelerate the project development in the western regions including Pingliang of Gansu, Zhongxian of Chongqing, Guangyuan and Dazhou of Sichuan, Liquan and Qianyang of Shaanxi and Guizhou, in order to ensure the commencement of production of projects as scheduled and further enhance the operating efficiency of the Group.

In addition, the Group will actively analyze the market trends and capture favorable opportunities to expand its market share in various regions; it will also push ahead with the implementation of various management measures for energy saving and consumption reduction and to complete the technological upgrade of energy-saving projects. The Group will strengthen the cost control in all aspects of the procurement process of the raw materials and fuels, so as to enhance the quality of the Company's overall operations and maximise the value for its shareholders.

VI. SIGNIFICANT EVENTS

(1) MATERIAL LITIGATION AND ARBITRATION

During the six months ended 30 June 2009, the Group was not involved in any litigation or arbitration which might have a material impact on the Group's business operation, nor was any of the Directors, supervisors or members of senior management of the Company involved in any material litigation or arbitration.

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

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

1. The Company's shareholdings in other listed companies as at the end of the Reporting Period:

Stock code	Short name	Acquisition cost (RMB)	Proportion of equity interest held	Carrying amount as at the end of	Profit/loss recognized during the	Change in equity during the
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			by the Company (%)	the Reporting Period (RMB)	Reporting Period (RMB)	Reporting Period (RMB)
600318	Chaodong Cement	98,019,695	16.28	214,014,962	-	92,707,006
000401	Jidong Cement	1,008,721,706	8.22	1,375,366,388	-	388,690,501
000885	Tongli Cement	44,349,667	3.34	65,386,998	262,190	33,464,827
600801	Huaxin Cement	33,241,210	-	-	3,604,952	(493,008)
600802	Fujian Cement	29,645,880	-	-	2,167,412	6,316,408
Total		1,213,978,158		1,654,768,348	6,034,554	520,685,734

Note: the above shares held by the Company were recognized in “Available-for-sale equity securities”.

2. The Company’s trading of shares of other listed companies during the Reporting Period:

Stock code	Short name	No. of shares held at the beginning of the Reporting Period	No. of shares purchased during the Reporting Period	No. of shares disposed of during the Reporting Period	No. of shares held at the end of the Reporting Period	Fund utilized (RMB)	Investment income (RMB)
600119	Bank of Beijing	-	20,000	20,000	-	223,377	16,560
000789	Jiangxi Cement	-	30,000	30,000	-	226,064	13,196
600720	Qilianshan	-	40,000	40,000	-	430,413	6,020
600425	Qingsong Building	-	115,000	115,000	-	1,342,978	155,586
000983	Xishan Coal and Electricity	-	50,000	50,000	-	659,445	78,599
600162	Heungkong Holding	-	50,000	50,000	-	273,211	76,438
Total		-	305,000	305,000		3,155,488	346,399

Notes:

1. the shares in the six companies as stated in the above table were purchased by the Group in secondary market. As at the end of the Reporting Period, all such shares were sold out;
2. the shares in the above companies held by the Group were recognized in “Securities held for trading”.

(3) ACQUISITIONS OF MATERIAL ASSET

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

(4) CONNECTED TRANSACTIONS

1. Connected transactions in the course of ordinary operation

(1) Use of trademark

On 23 September 1997, the Company and its holding company, Conch Holdings entered into the trademark licensing agreement (“Trademark Licensing Agreement”), pursuant to which the Company may use the permitted trademarks (including trademarks such as “海螺” and “Conch”) on permitted products in permitted regions pursuant to the period as set out in the terms of the Trademark Licensing Agreement. The valid period of the Trademark Licensing Agreement shall be the same as the valid period of the permitted trademarks, and should the valid period of the permitted trademarks be extended, 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 million per annum for the use of the trademark to the holding company.

During the Reporting Period, the Group is required to pay RMB756,500 to Conch Holdings pursuant to such Trademark Licensing Agreement and the Company had not yet made the above payment to Conch Holdings during the Reporting Period.

(2) Procurement of clinker

On 1 June 2009, as approved by the Board of the Company, the Company and Chaohu Haichang Cement Company Limited (“Chaohu Haichang”) entered into a clinker supply agreement pursuant to which the Company intended to procure 290,000 tonnes clinker from Chaohu Haichang for further processing into the Company’s products (i.e. cement) for sales; the total contract value was RMB58 million.

Chaohu Haichang is a wholly-owned subsidiary of Anhui Chaodong Cement Company Limited (“Chaodong Cement”); 25% equity interests of Prosperity Conch, a non-wholly owned subsidiary of the Company which is held by the Company as to 75% equity interests, is held by Prosperity Minerals (International) Limited (Prosperity Minerals”). Chaohu Haichang, Chaodong Cement and Prosperity Minerals are fellow subsidiaries of the same common holding. Under the Listing Rules of the Stock Exchange, Chaohu Haichang is a connected person of the Company, and therefore such transaction constituted a connected transaction. Under the Listing Rules of the SSE, the Company and Chaohu Haichang are not connected parties, and therefore such transaction did not constitute a connected transaction.

The price of clinker was mainly determined with reference to clinker quality and the market prices in the same target region after negotiation between the Company and Chaohu Haichang.

During the Reporting Period, the Group purchased 108,400 tonnes clinker from Chaohu Haichang pursuant to the above clinker supply agreement at a purchase price of RMB15,170,000. Including the purchase of the aforesaid clinker, the Group purchased a total of 186,700 tonnes clinker from Chaohu Haichang during the Reporting Period and paid a total purchase price of RMB29,860,000.

Please refer to the announcements of the Company dated 1 June 2009 (published on the website of the Stock Exchange) and dated 2 June 2009 (published on the SSE website and Shanghai Securities Journal) for details. Such connected transaction was not subject to the

approval of independent shareholders in general meeting.

2. Residual heat electricity generation projects

On 1 June 2009, as approved by the Board of the Company, the Company and Anhui Conch Kawasaki Engineering Co., Ltd. (“Conch Kawasaki Engineering”) entered into a supply and design of equipment contract, pursuant to which Conch Kawasaki Engineering would provide a whole set of equipment and design services for the construction of residual heat electricity generation projects for certain subsidiaries of the Company. The aggregate contract amount was RMB320.75 million.

Conch Kawasaki Engineering, a sino-foreign equity joint venture enterprise established in the PRC, is owned as to 50% by Conch Venture. Conch Venture is a substantial shareholder of the Company holding approximately 16.3% of the entire issued share capital of the Company as at the end of the Reporting Period. Pursuant to the Listing Rules of the Stock Exchange, Conch Kawasaki Engineering is an associate of Conch Venture and is therefore a connected person of the Company; as such, the above transaction constituted a connected transaction. As Mr. He Chengfa, a deputy general manager of the Company serves as the chairman of Conch Kawasaki Engineering, pursuant to the Listing Rules of the SSE, Conch Kawasaki Engineering is a connected person of the Company; as such, the above transaction constituted a connected transaction.

In respect of the transaction between the Company and Conch Kawasaki Engineering, the purchase price for the equipment is at actual cost plus a certain amount of mark-up by Conch Kawasaki Engineering. The design fee 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 and after negotiation between the parties, but shall not be higher than that offered by Conch Kawasaki Engineering to independent customers.

During the Reporting Period, for the sole purpose of the performance of the above supply and design of equipment contract, the Group has not yet paid the relevant equipment price and design fee to Conch Kawasaki Engineering. With respect to the performance of related contracts for the prior years, the total equipment price and design fee paid to Conch Kawasaki Engineering during the Reporting Period amounted to RMB87,380,000.

Please refer to the announcements of the Company dated 1 June 2009 (published on the website of the Stock Exchange) and dated 2 June 2009 (published on the SSE website and Shanghai Securities Journal) for details. Such connected transaction was not subject to the approval of independent shareholders in general meeting.

3. Purchase of milling equipment

On 1 June 2009, as approved by the Board of the Company, the Company and Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. (“Conch Kawasaki Equipment”) entered into a milling equipment supply contract, pursuant to which the Company agreed to purchase from Conch Kawasaki Equipment 12 sets of milling equipment to be installed at the clinker production lines of certain subsidiaries of the Company. The total contract price was RMB354 million.

Conch Kawasaki Equipment, a sino-foreign equity joint venture enterprise established in the PRC, is owned as to 50% by Conch Venture. Conch Venture is a substantial shareholder of the Company holding approximately 16.3% of the entire issued share capital of the Company as at the end of the Reporting Period. Pursuant to the Listing Rules of the Stock Exchange, Conch Kawasaki Equipment is an associate of Conch Venture and is therefore a connected person of the Company; as such, the above transaction constituted a connected transaction. As Mr. He Chengfa, a deputy general manager of the Company serves as a director of Conch Kawasaki Equipment, pursuant to the Listing Rules of the SSE, Conch Kawasaki Equipment is a connected person of the Company; as such, the above transaction constituted a connected transaction.

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 Equipment to other customers, but shall not be higher than that offered by Conch Kawasaki Equipment to independent customers.

During the Reporting Period, for the sole purpose of the performance of the above milling equipment supply contract, the Group has not yet paid the relevant equipment price to Conch Kawasaki Equipment. With respect to the performance of related contracts for the prior years, the total equipment price paid to Conch Kawasaki Equipment during the Reporting Period amounted to RMB112,210,000.

Please refer to the announcements of the Company dated 1 June 2009 (published on the website of the Stock Exchange) and dated 2 June 2009 (published on the SSE website and Shanghai Securities Journal) for details. Such connected transaction was not subject to the approval of independent shareholders in general meeting.

4. Design of Cement and Clinker Projects

On 1 June 2009, as approved by the Board of the Company, the Company and Anhui Conch Building Materials Design Centre (“Conch Design”) entered into a composite project design contract, pursuant to which Conch Design agreed to provide services including design and technological modification of clinker production lines and grinding mill systems for certain subsidiaries of the Company including Guangyuan Conch Cement Co., Ltd.. The contract price was RMB46.94 million.

Conch Design is a wholly-owned subsidiary of Conch Holdings, a controlling shareholder of the Company. Pursuant to the Listing Rules of the Stock Exchange, Conch Design is an associate of Conch Holdings and is therefore a connected person of the Company; as such, the above transaction constituted a connected transaction. Pursuant the Listing Rules of the SSE, Conch Design is a connected person of the Company; as such, the above transaction constituted a connected transaction.

The design fee was determined by the parties after arm’s-length negotiation with reference to the Scale Charge for Project Design promulgated by the National Development and Reform Commission and Ministry of Construction in 2002 and the project scale, investment amount, scope of design, standard of technology and the prevailing market prices. The design fee will be settled according to the project progress.

During the Reporting Period, for the sole purpose of the performance of the above composite

project design contract, the Group paid the relevant design fee of RMB3,208,000 to Conch Design. Taking into account the aforesaid contract and the related contracts in the prior years, the total design fee paid to Conch Design during the Reporting Period amounted to RMB15,520,000.

Please refer to the announcements of the Company dated 1 June 2009 (published on the website of the Stock Exchange) and dated 2 June 2009 (published on the SSE website and Shanghai Securities Journal) for details. Such connected transaction was not subject to the approval of independent shareholders in general meeting.

(5) 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 related to its own loans and loans of its subsidiaries, and all the guarantees have been approved either by the Board or the general meetings.

During the Reporting Period, the guarantees provided by the Company for its subsidiaries amounted to RMB3,445,800,000, all being guarantees for collateral liabilities; as at 30 June 2009, the balance of guarantees provided by the Company for its subsidiaries amounted to RMB4,065,800,000, representing 16.45% 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 which are not legal persons or individuals. The aggregate amount of guarantees provided by the Company did not exceed 50% of the Company's latest audited net assets. As at 30 June 2009, the balance of guarantee provided by the Company to its controlling subsidiaries with a gearing ratio of over 70% amounted to RMB50,000,000.

As at 30 June 2009, Ningguo Cement Plant and Baimashan Cement Plant of Anhui Conch Cement Co., Ltd., branch companies of the Company, pledged their assets of a book value of approximately RMB766 million to International Finance Corporation as security for their long-term loan in the sum of RMB650 million.

(6) APPROPRIATION OF FUND BY CONTROLLING SHAREHOLDER AND ITS SUBSIDIARIES

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

(7) 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 report of 2009.

(8) OTHER SIGNIFICATN EVENTS

1. During the Reporting Period, the resolution on the issuance of corporate bonds with a total principal amount of no more than RMB9.5 billion in China was considered and approved by the Board of the Company on 2 April 2009 and was passed at the annual general meeting for year 2008 held on 5 June 2009. As at the date of this announcement, the application in relation to the aforesaid issuance of corporate bonds is still to the approval by CSRC.

2. During the Reporting Period, the Company transferred its 50% equity interests in its wholly-owned subsidiary, Conch M & E to Kawasaki Whole Set Equipment Engineering Co., Ltd. (“Kawasaki Company”) by way of public tender through the Equity Transaction Market. Upon completion of the transfer of equity interests, the name of Conch M & E was changed to Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd., which is held by the Company and Kawasaki Company in equal shares, and becomes a jointly-controlled entity of the Company and Kawasaki Company. Its scope of business includes the design, procurement, manufacturing, sales, repairs & maintenance and after-sales services of cement equipment. The registration procedures for the change of industry and commerce particulars in relation to such transfer of equity interests were completed on 5 August 2009.

VII. CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

Extract from the Group’s unaudited consolidated balance sheet as at 30 June 2009, and the unaudited consolidated income statement for the Reporting Period prepared under the IFRS and presented on the basis as set out in note 3(1) below, together with comparative figures for the six months ended 30 June 2008 were as follows:

1. Consolidated balance sheet

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Non-current assets		
Fixed assets		
-Property, plant and equipment	27,543,040	25,166,895
-Interests in leasehold land held for own use under operating leases	<u>1,407,312</u>	<u>1,263,652</u>
	28,950,352	26,430,547
Intangible assets	319,722	248,203
Goodwill	16,120	16,120
Interest in associates	163,715	163,281
Interest in jointly controlled entities	239,354	159,649
Loans and receivables	227,716	222,745
Other investment in equity securities	10	10
Available-for-sale equity securities	1,654,768	1,201,757
Deferred tax assets	<u>83,341</u>	<u>68,970</u>
	31,655,098	28,511,282
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Current assets		
Inventories	2,209,461	1,870,366
Trade receivables	1,863,238	4,203,103
Prepayments and other receivables	731,654	635,605
Amounts due from related parties	362,203	344,846
Tax recoverable	31,921	19,170
Restricted cash deposits	47,409	48,153
Cash at bank and in hand	4,964,726	6,751,211
Assets classified as held for sale	<u>187,374</u>	<u>-</u>
	10,397,986	13,872,454
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	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Current liabilities		
Trade payables	3,996,410	3,470,634
Other payables and accruals	2,061,410	2,395,096
Bank loans and other borrowings	3,248,800	4,795,176
Amounts due to related parties	230,083	220,313
Current portion of long-term payables	6,260	7,325
Current taxation	205,010	285,686
Liabilities classified as held for sale	29,370	-
	<u>9,777,343</u>	<u>11,174,230</u>
Net current assets	<u>620,643</u>	<u>2,698,224</u>
Total assets less current liabilities	<u>32,275,741</u>	<u>31,209,506</u>
Non-current liabilities		
Bank loans and other borrowings	5,781,182	6,033,455
Long-term payables	30,311	33,231
Deferred income	304,592	235,593
Deferred tax liabilities	19,695	19,907
	<u>6,135,780</u>	<u>6,322,186</u>
NET ASSETS	<u>26,139,961</u>	<u>24,887,320</u>
CAPITAL AND RESERVES		
Share capital	1,766,434	1,766,434
Reserves	<u>23,919,883</u>	<u>22,655,039</u>
Total equity attributable to equity shareholders of the Company	<u>25,686,317</u>	<u>24,421,473</u>
Minority interests	<u>453,644</u>	<u>465,847</u>
TOTAL EQUITY	<u>26,139,961</u>	<u>24,887,320</u>

2. Consolidated income statement

		Six months ended 30 June	
	Note	2009 RMB'000	2008 RMB'000
Revenue	3(3)	11,236,056	10,197,587
Cost of sales and services rendered		<u>(8,426,686)</u>	<u>(7,382,860)</u>
Gross profit		2,809,370	2,814,727
Other revenue	3(5) (a)	170,936	162,140
Other net income	3(5) (b)	7,369	17,404
Selling and marketing costs		(704,118)	(633,919)
Administrative expenses		<u>(410,258)</u>	<u>(344,623)</u>
Profit from operations		1,873,299	2,015,729
Finance costs	3(6)(a)	(257,450)	(452,337)
Share of profits of associates		434	2,510
Share of losses of jointly controlled entities		<u>(295)</u>	<u>-</u>
Profit before taxation	3(6)	1,615,988	1,565,902
Income tax	3(7)	<u>(305,102)</u>	<u>(209,874)</u>
Profit for the period		<u>1,310,886</u>	<u>1,356,028</u>
Attributable to:			
Equity shareholders of the Company		1,274,089	1,304,440
Minority interests		<u>36,797</u>	<u>51,588</u>
Profit for the period		<u>1,310,886</u>	<u>1,356,028</u>
Earnings per share	3(9)		
Basic		<u>RMB0.72</u>	<u>RMB0.82</u>
Diluted		<u>RMB0.72</u>	<u>RMB0.82</u>

	Note	Six months ended 30 June 2009 RMB'000	2008 RMB'000
Profit for the period		1,310,886	1,356,028
Other comprehensive income for the period (after tax and reclassification adjustments):			
Available-for-sale equity securities: net movement in fair value reserve	3(8)	520,685	(177,734)
Total comprehensive income for the period		<u>1,831,571</u>	<u>1,178,294</u>
Attributable to:			
Equity shareholders of the Company		1,794,774	1,126,706
Minority interests		<u>36,797</u>	<u>51,588</u>
Total comprehensive income for the period		<u>1,831,571</u>	<u>1,178,294</u>

3. Notes

(1) Basis of preparation

This interim financial report of Anhui Conch Cement Company Limited (the “Company”) and its subsidiaries (the “Group”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” adopted by the International Accounting Standards Board (“IASB”). It was authorised for issuance on 19 August 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 3(2).

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported

amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2008 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 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

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 2008 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 2008 are available at the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their audit report dated 30 March 2009.

(2) Changes in accounting policies

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

- IFRS 8, *Operating segments*
- IAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to IFRSs (2008)
- Amendments to IAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to IFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- IAS 23 (revised 2007), *Borrowing costs*

The amendments to IAS 23 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. In addition, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision

maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 3(3)). As this is the first period in which the Group has presented segment information in accordance with IFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.

- As a result of the adoption of IAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:

As a result of amendments to IAS 28, *Investments in associates*, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

- The amendments to IAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

(3). Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. On first-time adoption of IFRS 8, *Operating segments*, and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified four reportable segments: East China, Central China, South China and West China. All segments are primarily engaged in manufacture and sale of clinkers and cement products.

(a) Segment results, assets and liabilities

In accordance with IFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

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

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

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

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

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

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

For the six months ended 30 June 2009

	East China RMB'000	Central China RMB'000	South China RMB'000	West China RMB'000	Subtotal RMB'000	Reconciling items (note 1) RMB'000	Total RMB'000
Revenue from external customers	3,825,125	5,386,411	2,024,520	-	11,236,056	-	11,236,056
Inter-segment revenue	115,716	2,075,648	2,773	-	2,194,137	(2,194,137)	-
Reportable segment revenue	3,940,841	7,462,059	2,027,293	-	13,430,193	(2,194,137)	11,236,056
Reportable segment profit (Profit before taxation)	121,887	1,233,277	434,171	(359)	1,788,976	(172,988)	1,615,988
Interest income	(2,184)	(71,537)	(1,832)	-	(75,553)	-	(75,553)
Interest expense	13,982	211,563	31,905	-	257,450	-	257,450
Depreciation and amortisation for the period	132,536	531,116	137,778	3,105	804,535	-	804,535
Reportable segment assets (including investment in associates and joint ventures)	6,303,201	35,781,587	6,075,756	1,808,635	49,969,179	(7,916,095)	42,053,084
Additions to non-current segment assets during the period	201,589	2,709,009	616,005	1,316,560	4,843,163	-	4,843,163
Reportable segment liabilities	3,252,841	12,149,062	2,111,023	741,406	18,254,332	(2,341,209)	15,913,123

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

For the six months ended 30 June 2008

	East China RMB'000	Central China RMB'000	South China RMB'000	West China RMB'000	Subtotal RMB'000	Reconciling items (note 1) RMB'000	Total RMB'000
Revenue from external customers	3,559,922	4,603,482	2,034,183	-	10,197,587	-	10,197,587
Inter-segment revenue	136,258	2,204,180	2,617	-	2,343,055	(2,343,055)	-
Reportable segment revenue	3,696,180	6,807,662	2,036,800	-	12,540,642	(2,343,055)	10,197,587
Reportable segment profit (Profit before taxation)	203,830	948,958	437,769	(773)	1,589,784	(23,882)	1,565,902
Interest income	(2,883)	(20,188)	(1,021)	-	(24,092)	-	(24,092)
Interest expense	58,139	337,208	56,990	-	452,337	-	452,337
Depreciation and amortisation for the period	117,718	464,030	100,620	21	682,389	-	682,389
Reportable segment assets (including investment in associates and joint ventures)	6,752,066	35,031,185	6,606,503	733,640	49,123,394	(6,739,658)	42,383,736
Additions to non-current segment assets during the period	95,682	2,487,469	374,966	16,521	2,974,638	-	2,974,638
Reportable segment liabilities	4,222,065	12,589,257	3,073,104	26,052	19,910,478	(2,414,062)	17,496,416

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

note 1 Reconciliations of reportable segment revenues, profit or loss, assets and liabilities are as follows:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Revenue		
Elimination of inter-segment revenue	<u>(2,194,137)</u>	<u>(2,343,055)</u>
Profit		
Elimination of inter-segment profits	(187,376)	(33,514)
Differences between		
PRC accounting standards and IFRS*		
- item (1)	1,919	1,919
- item (2)	<u>12,469</u>	<u>7,713</u>
	<u>(172,988)</u>	<u>(23,882)</u>
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Assets		
Elimination of inter-segment balances	(7,769,627)	(6,591,271)
Differences between		
PRC accounting standards and IFRS*		
- item (1)	<u>(146,468)</u>	<u>(148,387)</u>
	<u>(7,916,095)</u>	<u>(6,739,658)</u>
Liabilities		
Elimination of inter-segment balances	(2,642,812)	(2,646,562)
Differences between		
PRC accounting standards and IFRS*		
- item (2)	<u>301,603</u>	<u>232,500</u>
	<u>(2,341,209)</u>	<u>(2,414,062)</u>

* Differences between PRC accounting standards and IFRS:

- item (1): The difference arises from the revaluation of interests in leasehold land held for own use under operating leases.
- item (2): The difference arises from the deferred income in respect of the government grants recognised under IFRS.

(b) Geographic information

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

	Revenue from external customers		Specified non-current assets	
	Six months ended		At	At
	30 June	30 June	30 June	31 December
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
the People's Republic of China ("the PRC")	10,500,124	9,166,908	29,689,273	27,017,810
others	<u>735,932</u>	<u>1,030,679</u>	<u>-</u>	<u>-</u>
	<u>11,236,056</u>	<u>10,197,587</u>	<u>29,689,273</u>	<u>27,017,810</u>

(4) Seasonality of operations

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

(5) Other revenue and net income

(a) Other revenue

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Subsidy income	95,383	138,048
Interest income	<u>75,553</u>	<u>24,092</u>
	<u>170,936</u>	<u>162,140</u>

(b) Other net income

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Net realised gain on trading securities	347	12,888
Net realised gain on available-for-sale equity securities	6,034	-
Net loss on disposal of fixed assets	(870)	(883)
Exchange loss	(381)	(1,499)
Others	<u>2,239</u>	<u>6,898</u>
	<u>7,369</u>	<u>17,404</u>

(6) Profit before taxation

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

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
(a) Finance costs:		
Interest on bank and other borrowings	267,684	493,574
Less: interest expense capitalised into construction-in-progress	<u>(10,234)</u>	<u>(41,237)</u>
	<u>257,450</u>	<u>452,337</u>

		Six months ended 30 June	
		2009	2008
		RMB'000	RMB'000
(b)	Other items:		
	Depreciation	782,888	663,654
	Amortisation of interests in leasehold land held for own use under operating leases	12,866	11,391
	Other amortisation	7,319	6,273
	Staff costs	<u>432,693</u>	<u>335,492</u>

(7) Income tax

		Six months ended 30 June	
		2009	2008
		RMB'000	RMB'000
Current tax-PRC Enterprise Income Tax			
	Provision for the period	319,685	217,772
Deferred tax			
	Origination and reversal of temporary differences	(14,583)	(7,898)
		<u>305,102</u>	<u>209,874</u>

No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2009 and 2008 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% (2008: 25%) on taxable income determined according to the relevant income tax rules and regulation of the PRC, except for:

Shanghai Conch Cement Sales Co., Ltd.	20%
上海海螺水泥销售有限公司 (Note i)	
Shanghai Mingzhu Conch Cement Co., Ltd	20%
上海明珠海螺水泥有限公司(Note i)	
Shanghai Conch Construction Material International Trading Co., Ltd.	20%

上海海螺建材國際貿易有限公司(Note i)	
Xing'an Conch Cement Co., Ltd.	15%
興安海螺水泥有限責任公司(Note ii)	
Prosperity Conch Cement Co., Ltd.	12.5%
英德海螺水泥有限責任公司 (Note iii)	
Xinye Kuiyang Conch Cement Co., Ltd.	0%
興業葵陽海螺水泥有限責任公司 (Note iv)	
Fusui Xinning Conch Cement Co., Ltd.	0%
扶綏新寧海螺水泥有限責任公司 (Note v)	
Beiliu Conch Cement Co., Ltd.	0%
北流海螺水泥有限責任公司(Note vi)	

Notes:

- (i) Starting from 2008, Shanghai Conch Cement Sales Co., Ltd., Shanghai Mingzhu Conch Cement Co., Ltd. and Shanghai Conch Construction Material International Trading Co., Ltd., have five years to transit to the 25% statutory Enterprise Income Tax rate, 18% for the year 2008, 20% for the year 2009, 22% for the year 2010, 24% for the year 2011, and 25% for the year 2012 and thereafter. The Enterprise Income Tax rate applicable to these subsidiaries in 2009 is therefore 20%.
- (ii) Xing'an Conch Cement Co., Ltd. was recognised by the local tax authorities as a company located in mid-west China, and thus is entitled to a 10% reduction of Enterprise Income Tax from year 2008 to year 2010. The applicable Enterprise Income Tax rate in 2009 is therefore 15%.
- (iii) Prosperity Conch Cement Co., Ltd. is a sino-foreign enterprise. In 2006, Prosperity Conch Cement Co., Ltd. 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. 2009 is the fourth profitable year of Prosperity Conch Cement Co., Ltd. The applicable Enterprise Income Tax rate in 2009 is therefore 12.5%.
- (iv) Xinye Kuiyang Conch Cement Co., Ltd. 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 2009 is therefore 0%.
- (v) Fusui Xinning Conch Cement Co., Ltd. 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 2009 is therefore 0%.
- (vi) Beiliu Conch Cement Co., Ltd. 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 2009 is therefore 0%.

(8) Other comprehensive income

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Available-for-sale equity securities		
Changes in fair value recognised during the period	526,719	(177,734)
Reclassification adjustments for amounts transferred to profit or loss	<u>(6,034)</u>	<u>-</u>
Net movement in the fair value reserve during the period recognised in other comprehensive income	<u>520,685</u>	<u>(177,734)</u>

(9) Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2009 of RMB 1,274,089,000 (six months ended 30 June 2008: RMB 1,304,440,000) and the weighted average number of shares in issue during the six months ended 30 June 2009 of 1,766,434,000 (six months ended 30 June 2008: 1,599,767,000).

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the six months ended 30 June 2009 and 2008.

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

Wuhu City, Anhui Province, the PRC
19 August 2009

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.