

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2011

- Revenue for the six months ended 30 June 2011, prepared in accordance with International Financial Reporting Standards ("IFRS"), amounted to approximately RMB22,327.27 million, representing an increase of approximately 61.00% over the corresponding period of last year.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2011, prepared in accordance with IFRS, was approximately RMB5,980.99 million, representing an increase of approximately 233.09% over the corresponding period of last year.
- Basic earnings per share for the six months ended 30 June 2011, prepared in accordance with IFRS, were RMB1.13.

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	00914
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	Yang Kaifa	Liao Dan
Contact address	1011 Jiuhua South Road, Wuhu City, Anhui Province, the PRC	1011 Jiuhua South Road, Wuhu City, Anhui Province, the PRC
Telephone number	(86-553) 8398927	(86-553) 8398911
Fax number	(86-553) 8398931	(86-553) 8398931
E-mail address	dms@conch.cn	dms@conch.cn

II. ACCOUNTING DATA AND FINANCIAL INDICATORS

1. Financial summary prepared in accordance with the IFRS

Items	Six months ended 30 June 2011 (RMB'000)	Six months ended 30 June 2010 (RMB'000)	Increase/ (decrease) over the same period of the previous year (%)
Revenue	22,327,265	13,868,274	61.00
Net profit attributable to equity shareholders of the Company (restated)	5,980,993	1,795,595	233.09
	As at 30 June 2011 (RMB'000)	As at 31 December 2010 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets (restated)	77,490,723	60,407,154	28.28
Total liabilities	36,006,550	25,157,974	43.12

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

(1) Major accounting data and financial indicators

Items	As at 30 June 2011 (RMB'000)	As at 31 December 2010 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets	77,490,723	60,411,853	28.27
Total equity attributable to equity shareholders of the Company	40,337,975	35,003,281	15.24
Net assets per share attributable to equity shareholders of the Company (RMB/share) (restated)	7.61	6.61	15.24

Items	Six months ended 30 June 2011 (RMB' 000)	Six months ended 30 June 2010 (RMB'000)	Increase/ (decrease) over the same period of the previous year (%)
Operating profit	7,669,252	2,057,358	272.77
Profit before taxation	8,049,831	2,342,720	243.61
Net profit attributable to equity shareholders of the Company	5,994,050	1,796,682	233.62
Net profit attributable to equity shareholders of the Company after extraordinary items	5,740,333	1,614,190	255.62
Basic earnings per share (RMB/per share) (restated)	1.13	0.34	233.62
Diluted earnings per share (RMB/per share) (restated)	1.13	0.34	233.62
Basic earnings per share after extraordinary items (RMB/per share) (restated)	1.08	0.30	255.62
Diluted return on net assets (%)	14.86	6.08	Increased by 8.78 percentage points
Weighted average return on net assets (%)	15.77	6.09	Increased by 9.68 percentage points

Diluted return on net assets after extraordinary items (%)	14.23	5.46	Increased by 8.77 percentage points
Weighted average return on net assets after extraordinary items (%)	15.10	5.47	Increased by 9.63 percentage points
Net cash flow generated from operating activities	5,175,032	332,963	1,454.24
Net cash flow per share generated from operating activities (RMB) (restated)	0.98	0.06	1,454.24

Note: Given the implementation of the proposal of capitalization of capital reserve fund by the Group (the company and its subsidiaries, collectively referred to the “Group”) during the reporting period (i.e. the period from 1 January 2010 to 30 June 2010), there were changes in the share capital. Accordingly, the “Net assets per share attributable to equity shareholders of the Company” as at 31 December 2010, the “Basic earnings per share”, “Diluted earnings per share”, “Basic earnings per share after extraordinary items” and “Net cash flow per share generated from operating activities” for the six months ended 30 June 2010 stated were restated by the Group.

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

Items	(RMB' 000)
	Amount
(1)Gain/(Loss) on disposals of non-current assets	67,422
(2)Government subsidy	257,583
(3)Gain/(Loss) on changes in the fair value of tradable financial assets	6,850
(4) Gain on investment cost for acquisition of subsidiaries less than the fair value of identifiable net assets	937
(5) Other non-operating income and expenses other than the above items	5,892
(6)Effect of extraordinary items on income tax	(81,612)
(7)Effect of extraordinary items on minority interests	(3,355)
Total	253,717

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

	Net profit attributable to equity shareholders of the Company		Equity attributable to equity shareholders of the Company	
	Six months ended 30 June 2011	Six months ended 30 June 2010	As at 30 June 2011	As at 31 December 2010
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
As reported in the statutory financial statements under the PRC Accounting Standards	5,994,050	1,796,682	40,337,975	35,003,281
— Deferral of subsidy income not subject to the “[China] Accounting Standards for Business Enterprises No.16 — Government Subsidy” in accordance with the IFRS	(13,057)	(1,087)	(389,262)	(374,326)
As reported in accordance with the IFRS (restated)	5,980,993	1,795,595	39,948,713	34,628,955

Note: Under Annual Improvements to IFRSs (2010) promulgated by the International Accounting Standards Board ("IASB"), the Group recognized in the financial report prepared according to IFRSs the land valuation appreciation from reform and listing since 2011, and restated the comparative figures of "Net profit attributable to equity shareholders of the Company" for the six months ended 30 June 2010 and "Equity attributable to equity shareholders of the Company" as at 31 December 2010 prepared according to IFRSs as stated in the above table.

III. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SHAREHOLDERS

1. CHANGE IN SHAREHOLDINGS STRUCTURE AND NUMBER OF SHARES

(Unit: share)

Class of shares	Before change		Increase/decrease (+,-) by conversion from capital reserve fund	After change	
	Number	Percentage (%)		Number	Percentage (%)
I. Shares subject to trading restrictions	0	0	0	0	0
1. State-owned legal person shares	0	0	0	0	0
2. Other domestic shares	0	0	0	0	0
II. Shares not subject to trading restrictions	3,532,868,386	100	+1,766,434,193	5,299,302,579	100
1.RMB-denominated ordinary shares (i.e. A Shares)	2,666,468,386	75.48	+1,333,234,193	3,999,702,579	75.48
2. Overseas-listed foreign shares (i.e. H Shares)	866,400,000	24.52	+433,200,000	1,299,600,000	24.52
III. Total number of shares	3,532,868,386	100	+1,766,434,193	5,299,302,579	100

Notes: During the Reporting Period, as approved by the shareholders of the Company at its annual general meeting 2010 held on 31 May 2011, the Company implemented the proposal of capitalization of capital reserve fund (on basis of 3,532,868,386 Shares in issue at the end of 2010), pursuant to which all shareholders were issued capitalization shares on the basis of 5 new shares for every existing 10 shares held by them. The floating A Shares (which are not subject to trading restrictions) and the H Shares issued under the capitalization issue became listed on 17 June 2011 on the SSE and the Stock Exchange respectively. Upon completion of the capitalization issue, the number of shares of the Company was increased by 1,766,434,193 shares, of which 1,333,234,193 shares are A Shares and 433,200,000 shares are H Shares. The total number of shares of the Company was increased from 3,532,868,386 shares to 5,299,302,579 shares.

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

As at 30 June 2011, the Company had a total of 65,887 shareholders, 79 of which were holders of H Shares.

Name of shareholder	Nature of shareholder	Number of shares held at the end of the Reporting Period (Shares)	Percentage shareholdings (%)	Class of Shares
1. Anhui Conch Holdings Co., Ltd. (“Conch Holdings”)	State-owned	1,918,329,108	36.20%	A Shares
2. HKSCC Nominees Limited	Foreign	1,297,708,991	24.49%	H Shares
3. Anhui Conch Venture Investment Company Limited (“Conch Venture”)	Others	286,713,246	5.41%	A Shares
4. Ping An Trust & Investment Co., Ltd. (“Ping An Trust”)	Others	78,612,443	1.48%	A Shares
5. China Construction Bank – China AMC Prime Growth Stock Investment Fund	Others	38,946,036	0.73%	A Shares
6. The Industrial and Commercial Bank of China – GF Jufeng Stock Securities Investment Fund	Others	32,524,068	0.61%	A Shares
7. Bank of China – Dacheng Blue Chip Steady Securities Investment Fund	Others	28,808,186	0.54%	A Shares
8. Bank of Communications – Fuguo Tianyi Value Securities Investment Fund	Others	26,145,000	0.49%	A Shares
9. China Construction Bank – Hua An Hongli Stock Securities Investment Fund	Others	25,049,909	0.47%	A Shares
10. China Construction Bank – China AMC Prosperity Selected Securities Investment Fund	Others	23,660,574	0.45%	A Shares

Notes :

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

(2) As at 30 June 2011, a total of 1,918,329,108 A Shares of the Company were held by Conch Holdings, representing (when compared with that at the beginning of the year) an increase of 639,443,036 A Shares which arose from the capitalization of capital reserve fund of the Company.

(3) As at 30 June 2011, a total of 286,713,246 A Shares of the Company were held by Conch Venture, representing (when compared with that at the beginning of the year) an increase of 95,571,082 A Shares which arose from the capitalization of capital reserve fund of the Company.

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

(5) HKSCC Nominees Limited held 1,297,708,991 H Shares, representing 24.49% of the total share capital of the Company, and 99.85% of the issued H share capital of the Company. These shares were held on behalf of various clients.

(6) So far as the Board is aware, as at the end of the Reporting Period, Conch Venture and Conch Holdings connected to each other by virtue of Conch Venture being interested in 49% of the total issued shares in Conch Holdings and in 5.41% of the total issued shares in the Company, while Conch Holdings was interested in 36.20% of the total issued shares in the Company; and both China AMC Prime Growth Stock Investment Fund and China AMC Prosperity Selected Securities Investment Fund were under the management of China Asset Management Co.,Ltd.. Except for the said shareholders, the above shareholders were not connected to each other nor were they parties acting in concert.

(7) As at 30 June 2011, 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	1,933,228,101 A Shares (long position) (note a)	Interests of a controlled corporation/beneficial owner	48.33% (note b)
Anhui Provincial Investment Group Limited (“Anhui Provincial Investment Group”)	1,933,228,101 A Shares (long position) (Note a)	Interests of a controlled corporation	48.33% (note b)
Conch Venture	2,235,293,202 A Shares (long position) (Note a)	Interests of a controlled corporation/beneficial owner	55.89% (note b)
JPMorgan Chase & Co.	170,457,928 H Shares (long position) (Note d)	Beneficial owner/Investment manager/custodian	13.12% (note c)
JPMorgan Chase & Co.	7,136,000 H Shares (short position) (Note d)	Beneficial owner	0.55% (note c)
Taiwan Cement Corporation	116,568,000 H Shares (long position) (Note e)	Interests of a controlled corporation	8.97% (note c)
Genesis Asset Managers, LLP	87,521,148 H Shares (long position) (Note f)	Investment manager	6.73% (note c)

Notes:

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

Among the 1,933,228,101 A Shares held by Conch Venture, 1,918,329,108 A Shares were held by Conch Holdings as beneficial owner; 14,898,993 A Shares were held in the name of Anhui Conch Building Materials Design Centre (“Conch Design”, a wholly-owned subsidiary of Conch Holdings).

Among the 2,235,293,202 A Shares held by Conch Venture, 286,713,246 A Shares were held by Conch Venture as beneficial owner; 1,933,228,101 A Shares were held in the name of Conch Holdings and 15,351,855 A Shares were held in the name of Wuhu Conch Property Management Co., Ltd. (“Conch Property”, a wholly-owned subsidiary of Conch

Venture).

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

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

(d) Based on the disclosure of interests form submitted by JPMorgan Chase & Co. in respect of the relevant event that occurred on 22 June 2011, these shares were held through certain subsidiaries of JPMorgan Chase & Co. Of the 170,457,928 H Shares (long position), 5,905,919 H Shares were held in the capacity of beneficial owner; 116,087,499 H Shares in the capacity of investment manager; and 48,464,510 H Shares (securities in lending pool) in the capacity of custodian.

(e) Based on the disclosure of interests form submitted by Taiwan Cement Corporation in respect of the relevant event that occurred on 11 December 2008, these shares were held through certain subsidiaries of Taiwan Cement Corporation. The said 116,568,000 H Shares held by Taiwan Cement Corporation includes the share allotted and issued pursuant to the capitalization issue which was completed during the Reporting Period.

(f) The 87,521,148 H Shares held by Genesis Asset Managers, LLP includes the shares issued under the capitalization issue which was carried out during the Reporting Period.

Save for the aforesaid shareholders, as at 30 June 2011, the Company was not aware of any interests and short positions as recorded in the register required to be kept pursuant to section 336 of the SFO.

(3) PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2011, 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 2011, none of the Directors, chief executive and supervisors of the Company nor any of their respective associates held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), nor had they been granted or exercised the above interests or rights, which were recorded in the register of the Company required to be kept and maintained in accordance with section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities

Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the HKSE Listing Rules.

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 2011, the Company has complied with all the code provisions (“Code Provisions”) set out in the Code on Corporate Governance Practices as contained in Appendix 14 to the HKSE Listing Rules.

V. MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ENVIRONMENT

During the first half of 2011, the PRC government implemented proactive fiscal policy and prudent monetary policy, strengthened macro-economic control, curbed inflation and refined economic structure, which resulted in a healthy development of the PRC economy. For the first half of 2011, the year-on-year GDP growth rate was 9.6%, down by 1.5 percentage points as compared to the corresponding period of last year. Fixed asset investments across the country saw a year-on-year growth rate of 25.6%, up by 0.6 percentage point from that in the same period of last year, while property investment sustained a year-on-year increase of 32.9%. (Source: National Bureau of Statistics of China)

During the first half of 2011, the PRC’s cement production volume rose by 19.6% year-on-year to 951 million tonnes, and the growth rate represented an increase of 2.1 percentage points from that in the same period of last year. Investments in the PRC cement industry saw its growth rate turn negative, down by 18.97 percentage points year-on-year to RMB65.4 billion. The PRC government continued to promote energy saving and emission reduction, to encourage merger and restructuring, to eliminate obsolete production capacity, leading to further optimization of the cement industry structure and continuous improvement in the supply and demand relationship. (Source: *Digital Cement*)

ANALYSIS OF OPERATIONAL CONDITIONS

Operations

Capturing the opportunities arising from the cement industry development trend and the improved market supply-demand balance in the first half of 2011, the Group intensified its marketing efforts and raised the selling price of its products. It continued to expand the channels for bulk procurement of raw materials, reduce its operating costs, ensure production, sales and transportation were coordinated in an orderly manner, and facilitate continuous improvement in operating quality.

During the Reporting Period, in accordance with the PRC Accounting Standards, the Group's revenue arising from its principal activities amounted to RMB22,118 million, representing an increase of 61.66% over that in the same period of last year; its net profit attributable to equity shareholders of the Company amounted to RMB5,994 million, representing an increase of 233.62% over that in the same period of last year; and earnings per share were RMB1.13. In accordance with IFRSs, the revenue amounted to RMB22,327 million, representing an increase of 61.00% over that in the same period of last year; its net profit attributable to equity shareholders of the Company amounted to RMB5,981 million, representing an increase of 233.09% over that in the same period of last year; and earnings per share were RMB1.13.

During the Reporting Period, the Group pursued its construction projects at a steady pace. Construction of six 5,000t/d clinker production lines located at Liqian Conch Cement Co., Ltd. ("Liqian Conch"), Chongqing Conch Cement Co., Ltd. ("Chongqing Conch") and Pingliang Conch Cement Co., Ltd. ("Pingliang Conch") and 10 cement grinding units located at Liqian Conch, Huainan Conch Cement Co., Ltd. ("Huainan Conch") and Jining Conch Cement Co., Ltd. ("Jining Conch") were successively completed and put into operation, resulting in additional clinker production capacity of 10.8 million tonnes and additional cement production capacity of 11 million tonnes. Meanwhile, four sets of residual heat electricity generation units located at Liqian Conch, Qianyang Conch Cement Co., Ltd.

(“Qianyang Conch”), Jining Conch and Fusui Xinning Conch Cement Co., Ltd. (“Xinning Conch”) were put into operation with an additional electricity capacity of 54 megawatts (“MW”).

In addition, the urban waste treatment project carried out by Anhui Tongling Conch Cement Co., Ltd (“Tongling Conch”) has treated a total of 102,200 tonnes of urban wastes since it was put into operation. The project has improved urban environment and has brought about a desirable social effect.

Sales

During the Reporting Period, the Group realised an aggregate net sales volume of cement and clinker of 70.84 million tonnes, representing a year-on-year growth of 12.80%. In the East and Central China markets, supply and demand relationship continued to improve. Affected by the phasing power rationing and output control initiatives to achieve energy saving, the selling price of the Group’s products rose substantially as compared to that of the corresponding period of last year, resulting in year-on-year increases of 73.46% and 84.98% in the sales amount in the East and Central China markets respectively. In the West China region, as the projects in Liquan Conch and Chongqing Conch gradually commenced production, the sales volume increased substantially, with an upsurge of 225.49% year-on-year in the sales amount. With respect to the international market, the Group reduced export sales with a year-on-year decrease of 37.37% in sales amount due to slowdown in the growth of market demand.

Sales Amount by Region

Region	Six months ended		Six months ended		Change in sales amount (%)	Change in sales proportion (Percentage points)
	30 June 2011		30 June 2010			
	Sales amount (RMB'000)	Percentage (%)	Sales amount (RMB'000)	Percentage (%)		
East China ^{note1}	8,939,135	40.41	5,153,442	37.67	73.46	2.74
Central China ^{note2}	6,903,079	31.21	3,731,737	27.27	84.98	3.94
South China ^{note3}	4,075,000	18.42	3,357,555	24.54	21.37	(6.12)
West China ^{note4}	1,609,311	7.28	494,427	3.61	225.49	3.67
Export	591,972	2.68	945,152	6.91	(37.37)	(4.23)
Total	22,118,497	100.00	13,682,313	100.00	61.66	-

Notes: 1. East China includes Jiangsu province, Zhejiang province, Fujian province, Shandong province and Shanghai city;

2. Central China includes Anhui province, Jiangxi province, Hunan province and Hubei province;

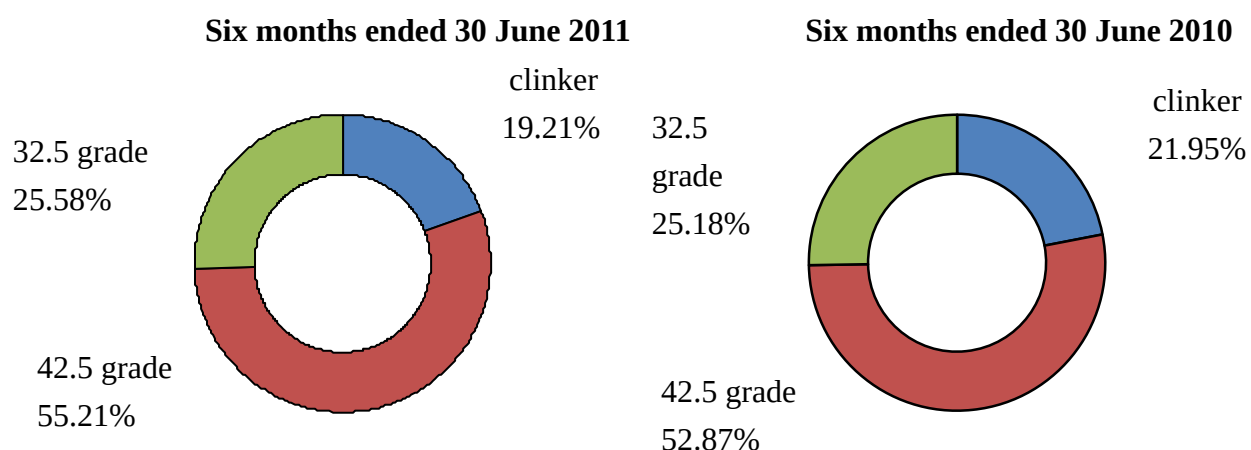
3. South China includes Guangdong province and Guangxi province;

4. West China includes Shaanxi province, Gansu province, Sichuan province, Chongqing city, Guizhou province and Yunnan province.

SALES BY TYPE OF PRODUCTS

During the Reporting Period, 10 cement grinding production systems were completed and commenced production, resulting in more internal use of clinker, hence a reduction in the external sales of clinker. Increase in the sales amount of clinker was smaller than that of cement. The percentage of sales amount of clinker decreased by 2.74 percentage points year-on-year, while the percentage of sales amount of 42.5 grade cement increased by 2.34 percentage points from that in the same period of last year.

Percentage of sales amount 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 2011 (RMB'000)	Six months ended 30 June 2010 (RMB'000)	
Revenue from principal activities	22,118,497	13,682,313	61.66
Profit from operations	7,669,252	2,057,358	272.77
Profit before taxation	8,049,831	2,342,720	243.61
Net profit attributable to equity shareholders of the Company	5,994,050	1,796,682	233.62
Net cash flow from operating activities	5,175,032	332,963	1,454.24

During the Reporting Period, driven by both increased sales volume and rising selling price of the Group's products, the Group's profit from operations amounted to RMB7,669.25 million, representing a year-on-year increase of 272.77%; its profit before taxation and net

profit attributable to equity shareholders of the Company increased by 243.61% and 233.62% respectively as compared to the corresponding period of last year.

**Gross profit by type of products for the six months ended 30 June 2011 and
year-on-year comparison**

Product	Revenue from principal activities (RMB'000)	Costs of principal activities (RMB'000)	Gross profit margin for the Reporting Period (%)	Gross profit margin for the same period of last year (%)	Year-on-year change in gross profit margin (percentage point)
42.5 grade cement	12,211,136	7,009,705	42.60	25.62	16.98
32.5 grade cement	5,657,208	3,006,996	46.85	30.30	16.55
Clinker	4,250,153	2,638,268	37.93	19.28	18.65
Total	22,118,497	12,654,969	42.79	25.41	17.38

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

Meanwhile, the Group's gross profit grew significantly, with a consolidated gross profit margin of 42.79%, representing an increase of 17.38 percentage points over that in the same period of last year. Gross profit for each tonne of products amounted to RMB133.58, representing an increase of RMB78.23 as compared to that of the corresponding period of last year.

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

Expenses for the period	Amount for the Reporting Period (RMB'000)	Amount for the same period of last year (RMB'000)	As a percentage to revenue from principal activities for the Reporting Period (%)	As a percentage of revenue from principal activities for the same period of last year (%)	Change in percentage of revenue from principal activities (percentage points)
Selling expenses	800,615	711,731	3.62	5.20	(1.58)
Administrative expenses	702,229	443,026	3.17	3.24	(0.07)
Financial expenses (net)	282,140	232,320	1.28	1.70	(0.42)
Total	1,784,984	1,387,077	8.07	10.14	(2.07)

During the Reporting Period, benefiting from further expansion of production capacity and increase in selling price, as well as the stringent control of expenses in accordance with the Group's fiscal budget prepared at the beginning of the year, the Group's selling, administrative and financial expenses in aggregate as a percentage of revenue from principal activities decreased by 2.07 percentage points as compared to the corresponding period of last year.

FINANCIAL POSITION

Asset and Liability Overview

As at 30 June 2011, the Group's total assets, equity attributable to shareholders of the Company and non-current liabilities, prepared in accordance with the PRC Accounting Standards, amounted to RMB77,490.72 million, RMB40,337.98 million and RMB20,953.31 million respectively, representing an increase of 28.27%, 15.24% and 79.04% respectively as compared to those at the beginning of the year, which was mainly

due to the Group's issuance of corporate bonds with principal amounts of RMB9.5 billion during the Reporting Period.

As at 30 June 2011, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 45.95%, representing an increase of 4.93 percentage points as compared to that at the end of the previous year.

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

Item	As at 30 June 2011 (RMB'000)	As at 31 December 2010 (RMB'000)	Change as at the end of the Reporting Period to those as at the beginning of the year (%)
Fixed assets	36,690,928	32,751,828	12.03
Current and other assets	40,799,795	27,660,025	47.50
Total assets	77,490,723	60,411,853	28.27
Current liabilities	14,653,885	13,077,027	12.06
Non-current liabilities	20,953,310	11,703,004	79.04
Minority interests	1,545,553	628,541	145.90
Equity attributable to shareholders of the Company	40,337,975	35,003,281	15.24
Total liabilities and shareholders' equity	77,490,723	60,411,853	28.27

Liquidity and Source of Funds

As at 30 June 2011, the Group's total current assets and total current liabilities, prepared in accordance with the PRC Accounting Standards, amounted to RMB25,444.14 million and

RMB14,653.89 million respectively. The current ratio was 1.74:1 (at the end of last year 1.01: 1). The Group's total current assets and total current liabilities, prepared in accordance with IFRS, amounted to RMB25,793.33 million and RMB14,653.88 million respectively. The net gearing ratio was 0.38 (at the end of last year: 0.33).

Maturity analysis of bank loans and other borrowings of the Group as at 30 June 2011 is as follows:

	As at 30 June 2011 (RMB'000)	As at 31 December 2010 (RMB'000)
Due within 1 year (inclusive)	3,827,773	3,171,523
Due after 1 year but within 2 years (inclusive)	5,569,773	2,387,773
Due after 2 years but within 5 years (inclusive)	4,959,068	8,499,068
Due after 5 years	47,273	84,545
Total	14,403,887	14,142,909

As at 30 June 2011, the Group's borrowings due after 1 year but within 2 years amounted to RMB5,569.77 million, representing an increase of RMB3,182 million (up by 133.26%) as compared to those at the beginning of the year. The increase was mainly attributable to the change from the item in 2010 of the Group's borrowings of three-year medium-term notes from Conch Holdings, the controlling shareholder, to the item in 2011 of loans due after 1 year but within 2 years in 2010.

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

	Six months ended 30 June 2011 (RMB'000)	Six months ended 30 June 2010 (RMB'000)
Net cash flows generated from operating activities	5,175,032	332,963
Net cash flows generated from investment activities	(7,719,011)	(5,596,995)
Net cash flows generated from financing activities	7,697,141	4,374,721
Net increase/(decrease) in cash and cash equivalents	5,153,162	(889,311)
Balance of cash and cash equivalents at the beginning of the period	2,689,149	3,572,876
Balance of cash and cash equivalents at the end of the period	7,842,311	2,683,565

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB5,175.03 million, representing an increase of RMB4,842.07 million as compared to the corresponding period of last year. Such increase was mainly attributable to the significant rise of the Group's revenue due to the increase in both sales volume and selling prices of the Group's products

The Group's net cash outflows generated from investment activities amounted to RMB7,719.01 million, representing an increase of RMB2,122.02 million as compared to the corresponding period of last year, mainly due to the Group's enhancing the efficiency of fund utilization by means of making suitable investment with part of its own funds.

The Group's net cash inflows generated from financing activities amounted to RMB7,697.14 million, representing an increase of RMB3,322.42 million as compared to the

corresponding period of last year, primarily as a result of the Group's successful issuance of corporate bonds with aggregate principal amounts of RMB9.5 billion.

Capital Expenditure

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB4.0 billion, 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 2011, capital commitments in respect of the purchase of machinery and equipment for production that were committed but have not been provided for in the accounts are set out as follows:

	As at 30 June 2011 (RMB'000)	As at 31 December 2010 (RMB'000)
Authorized and contracted for	2,512,300	13,614,304
Authorized but not contracted for	5,271,068	3,287,417
Total	7,783,368	16,901,721

INVESTMENT IN CONSTRUCTION PROJECTS

1. Use of Proceeds from Fund Raising Exercise and Progress of Investment Projects Funded by Such Proceeds during the Reporting Period

The net proceeds ("Proceeds") raised from the public offer of shares of the Company in 2008 amounted to RMB11,282.06 million. As at 30 June 2011, the Company utilized RMB10,963.48 million of the Proceeds, and the balance of the Proceeds amounted to RMB423.42 million (including working capital as replenished, in the sum of RMB300 million) with the interests earned from the Proceeds amounting to RMB104.84 million.

During the Reporting Period, the Proceeds were used by the Group in the following projects:

(Unit: RMB'000)

Item	Description of the projects	Progress of the project	Fund used during the Reporting Period	Gain from the project during the Reporting Period
1	4×4,500t/d cement and clinker production lines project of Anhui Chizhou Conch Cement Co., Ltd. (“Chizhou Conch”)	Two in operation Two under construction	232,820	143,900
2	4,000t/d cement and clinker production line project of Xing’an Conch Cement Co., Ltd. (“Xing’an Conch”)	In operation	14,070	42,400
3	4,500t/d cement and clinker production line project (phase two) of Beiliu Conch Cement Co., Ltd. (“Beiliu Conch”)	In operation	5,660	74,320
4	2×18MW residual heat electricity generation projects of Chizhou Conch	One in operation One under construction	19,660	33,410
5	18MW residual heat electricity generation project of Anhui Zongyang Conch Cement Co., Ltd.	In operation	1,330	31,460
6	11.6MW and 17MW residual heat electricity generation projects of Chizhou Conch	In operation	1,950	51,360
7	The technology upgrade of the 18MW pure low temperature residual heat electricity generation project of Beiliu Conch	In operation	6,380	28,890
Total			281,870	405,740

2. Major Projects during the Reporting Period Using Funds Other than the Proceeds

(Unit: RMB'000)

Item	Description of the projects	Progress of the project	Fund used during the Reporting Period	Gain from the project during the Reporting Period
1	2×12,000t/d clinker production lines (phase three) and 36MW residual heat electricity generation project of Wuhu Conch Cement Co., Ltd.	Under construction	611,900	-
2	12,000t/d cement and clinker production line and 18MW residual heat electricity generation project of Tongling Conch	Under construction	312,970	-
3	2,500t/d cement and clinker production line and 4.5MW residual heat electricity generation project of Longling Huihe Cement Co.,Ltd. (“Longling Huihe”)	Under construction	202,150	-
4	2.2 million tonnes cement grinding and special terminal project of Jiangdu Conch Cement Co., Ltd.	Under construction	199,580	-
5	4,000t/d new dry-process cement and clinker production line and 9MW pure low temperature residual heat electricity generation project of Qiyang Conch Cement Co., Ltd.	Under construction	198,980	-
6	4,500t/d cement and clinker production line (phase two) and 9MW residual heat electricity generation project of Dazhou Conch Cement Co., Ltd.	In partial operation	178,460	5,590
7	5,000t/d cement and clinker production line (phase two) and 9MW residual heat electricity generation project of Xingye Kuiyang Conch Cement Co., Ltd (“Kuiyang Conch”)	Under construction	174,140	-
8	2×4,500t/d cement and clinker production lines (phase one) and 18MW residual heat electricity generation project of Liquan Conch	In operation	155,620	25,950

9	4,500t/d cement and clinker production line (phase two) and 9MW residual heat electricity generation project of Guangyuan Conch Cement Co., Ltd. (“Guangyuan Conch”)	Under construction	154,140	-
10	4,500t/d cement and clinker production line (phase two) and 9MW residual heat electricity generation project of Pingliang Conch	In partial operation	126,420	580
11	4,500t/d cement and clinker production line (phase one) and 9MW residual heat electricity generation project of Suzhou Conch Cement Co., Ltd.	Under construction	123,300	-
12	4,500t/d cement and clinker production line (phase two) and 9MW residual heat electricity generation project of Chongqing Conch	In partial operation	104,170	17,050
Total			2,541,830	49,170

3. Project companies invested during the Reporting Period

On 27 June 2011, the Company invested and established Baoshan Conch Cement Co., Ltd., which is located in Baoshan City, Yunnan Province, with a registered capital of RMB300 million. The Company owns 100% of its equity interests.

4. Project companies acquired during the Reporting Period

On 21 May 2011, the Company and Longling Huihe (a wholly-owned subsidiary of the Company) entered into a share transfer agreement with four natural persons (being former shareholders of Yunnan Zhuangxiang Cement Co., Ltd., “Zhuangxiang Cement”, including Qiu Jiaxiang, Jiang Huirong, etc.) in relation to the acquisition of 100% equity interests of Zhuangxiang Cement, of which 99% equity interest was acquired by the Company and the remaining 1% by Longling Huihe.

Zhuangxiang Cement has a registered capital of RMB50 million. Currently, it has established a 2,000t/d new dry-process cement and clinker production line and an ancillary cement grinding system. As at 30 June 2011, the procedures for the relevant transfer of equity interests and change of business registration with the industrial and commerce authority were completed.

PROSPECTS FOR THE SECOND HALF OF THE YEAR

In the second half of 2011, the PRC government will continue to maintain the sustainability and stability of the macro-economic policy to enable China to maintain a healthy and stable economic growth. The country's increased efforts in the construction of more affordable housing and water infrastructure facilities will raise the consumption demand for cement. Meanwhile, the State will step up its efforts in phasing out obsolete production capacities. On 11 July 2011, the Ministry of Industry and Information Technology released the list of cement enterprises to be phased out for reason of obsolete production capacity, and the target obsolete production capacity to be phased out in 2011 is 153 million tonnes. With the continuous decrease of fixed asset investments in the cement industry and acceleration of consolidation and restructuring within the industry, the supply and demand relationship of the industry is expected to continue to improve. In addition, we also noticed that factors as the government steadily stepping up its efforts in enhancing regulation of the real estate sector and the unlikely relaxation of the tightened monetary policy would bring challenges to the cement industry in the second half of the year.

In this regard, looking into the second half of the year, by strengthening internal management, exercising stringent control over various operating costs and optimizing the indicator management on an on-going basis, the Group will further enhance its competitiveness in different regional markets. Meanwhile, the Group will push ahead with the construction of 5,000t/d clinker production lines (phase two) of Guangyuan Conch and Kuiyang Conch respectively and 3 clinker production lines each with a daily production capacity of 12,000t/d within Anhui province, and prepare itself for project acquisition, and proceed with acquisitions as and when opportunities arise. The Group will also explore international development strategies and proceed, at a steady pace, with the preliminary work in overseas cement projects in countries such as Indonesia. According to the "Memorandum of Understanding for Collaboration in the Development of the Cement Industry in the Republic of Indonesia" (《印度尼西亞共和國水泥行業開發合作諒解備忘錄》) entered into with the Ministry of Industry of the Republic of Indonesia in Jakarta on 30 June 2011, the Company will officially commence the preliminary works of the Tan Jung cement project, including application for approvals from local and overseas authorities, as

well as construction design. Furthermore, the Group will implement its Twelve-Five Year Plan to continue to enhance its operational quality with a view to create greater value for its shareholders.

VI. SIGNIFICANT EVENTS

(1) CORPORATE GOVERNANCE

The Company operated in accordance with the Company Law, Securities Law, the Articles of the Company and domestic and foreign listing rules. The Company's shareholders in general meeting, the Board, the supervisory committee and other professional committees under the Board assumed their respective functions with check and balance from each other and made their respective decisions in an independent, efficient and transparent manner. During the Reporting Period, the Company held one general meeting, one physical meeting of the Board, had resolutions passed by the Board by way of telecommunications and written resolutions for 17 times. Three meetings of the audit committee (including one physical meeting and two meetings convened by means of telecommunications), one meeting of the remuneration and nomination committee of the Board and one meeting of the supervisory committee were held.

During the Reporting Period, the Company continued to improve its corporate governance structure in accordance with the latest domestic and foreign regulatory requirements. To enhance the level of the Company's compliance operations, the Company modified the "Administrative Measures for Persons who have Access to Insider Information and Users of Information from External Sources" and adopted the "Temporary Measures for Regulating Dealings in Shares of the Company by Directors, Supervisors and Senior Management".

Following the relevant provisions of "Ancillary Guidelines for Enterprise Internal Control" jointly promulgated by the five ministries and committees (including Ministry of Finance and CSRC) and in response to the CSRC's requirements for listed companies with A-shares and H-shares to take the lead in implementing basic regulations on and ancillary guidelines for enterprise internal control, the Company has set timelines to pursue in an orderly manner the establishment of the Company's internal control system pursuant to its own working plan and implementation proposals regarding the establishment of a sound internal control system formulated by the Company. In the first half of 2011, on basis of completion of the

internal control system for pilot entities, the Company made overall improvement on the internal control defects identified in pilot entities, and perfected its system and business processes. In addition, the Company formulated detailed promotion and implementation plan for the establishment of internal control system, so as to promote internal control system in an active and proper manner, in order to ensure the Company's comprehensive and effective implementation of internal control system in 2011.

(2) IMPLEMENTATION OF THE PROFIT DISTRIBUTION PROPOSAL

On 31 May 2011, the profit distribution proposal for the year 2010 was approved at the 2010 annual general meeting of the Company. On the basis of 3,532,868,386 shares which is the total number of shares in issue of the Company and under such proposal, the Company paid to all its shareholders a cash dividend of RMB3 (tax inclusive) for every 10 shares held. A net cash dividend (after tax) of RMB2.70 was paid for every 10 shares held, and the total cash dividends paid amounted to RMB1,059,860,515.80 (tax inclusive); and 5 capitalization shares were issued for every 10 existing shares held by way of capitalization of the capital reserve fund (share premium). As of 22 June 2011, the above dividend was paid and the issue of shares under the capitalization of the capital reserve fund were effected to all the shareholders whose names were recorded on the register of members on the relevant record date.

No profit distribution proposal was implemented by the Company and no surplus reserve was transferred to share capital for the first half of 2011.

(3) MATERIAL LITIGATION AND ARBITRATION

During the six months ended 30 June 2011, the Group was not involved in any litigation or arbitration which might have a material impact on the Group's business operation and management, nor was any of the Directors, supervisors or members of senior management of the Company involved in any material litigation or arbitration.

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

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

Stock code	Short name	Initial investment amount (RMB)	Proportion of equity interest in that company (%)	Carrying amount as at the end of the Reporting Period (RMB)	Profit/loss recognized during the Reporting Period (RMB)	Change in equity interest during the Reporting Period (RMB)
600318	Chaodong Cement	98,019,695	16.28%	783,381,573	-	242,812,841
000401	Jidong Cement	1,563,997,644	11.28%	3,418,869,131	-	139,545,679
000885	Tongli Cement	44,349,667	2.12%	83,923,998	-	16,266,618
Total		1,706,367,006		4,286,174,702	-	398,625,138

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

2. As at the end of the Reporting Period, the Company's trading of shares of other listed companies are set out as follows:

Stock code	Short name	Numbers of shares at the beginning of the period (shares)	Numbers of shares purchased during the reporting period (shares)	Numbers of shares sold during the reporting period (shares)	Numbers of shares at the end of the period (shares)	Capital used (RMB)	Investment income (RMB)
600802	Fujian Cement	-	9,002,440	-	9,002,440	103,586,196	-
Total		-	9,002,440	-	9,002,440	103,586,196	-

Note: All of the above shares held by the Company were recognized in "Tradable securities".

(5) ACQUISITIONS OF MATERIAL ASSETS

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

(6) CONNECTED TRANSACTIONS

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

1. Use of trademarks

On 23 September 1997, the Company and its controlling shareholder (Conch Holdings) entered into a trademark licensing agreement (“Trademark Licensing Agreement”), pursuant to which the Company has been granted a license to use certain permitted trademarks (including trademarks of “海螺” and “CONCH”) on permitted products in permitted regions for the period as set out in the terms of the Trademark Licensing Agreement. The validity period of the Trademark Licensing Agreement is provided to be same as the validity period of the permitted trademarks, and where the validity period of the permitted trademarks is extended, the Trademark Licensing Agreement in respect of the trademarks is agreed to be extended automatically. Under the Trademark Licensing Agreement, the Company is required to pay RMB1.513 million per annum for the use of the trademark to Conch Holdings.

During the Reporting Period, the Group had not yet paid the above licence fee to Conch Holdings. Pursuant to the HKSE Listing Rules and the SSE Listing Rules, no announcements were required to be made in respect of such connected transaction, nor was such connected transaction subject to independent shareholders’ approval.

2. Transactions with Longshan Cement – procurement of clinker

On 27 April 2011, as approved by the Board, Jiangmen Conch Cement Co., Ltd. (“Jiangmen Conch”) and Foshan Conch Cement Co., Ltd. (“Foshan Conch”) (both being wholly-owned subsidiaries of the Company) entered into a clinker procurement agreement with Longshan Cement for the procurement of clinker from Longshan Cement. It is planned that Jiangmen Conch and Foshan Conch will procure 0.5 million and 0.1 million tonnes of clinker from Longshan Cement at a purchase price of RMB 142.5 million and RMB 28.5 million, respectively. The validity period of the agreement commenced from 1 January 2011 and will expire on 31 December 2011.

Longshan Cement is a wholly-owned subsidiary of Prosperity Cement Investment Limited (“Prosperity Cement”). Each of Longshan Cement and Prosperity Cement is an associate of Prosperity Minerals (International) Limited (“Prosperity Minerals”), as Longshan Cement, Prosperity Cement and Prosperity Minerals are fellow subsidiaries of the same common holding company. Prosperity Minerals is a substantial shareholder of Prosperity Conch Cement Co., Ltd. (“Prosperity Conch”, a non wholly-owned subsidiary of the Company), of which 75% equity interest is held by the Company and Prosperity Minerals holds the remaining 25% equity interest. Under the HKSE Listing Rules, Longshan Cement is a connected person of the Company and the above-mentioned transactions constitute continuing connected transactions. Under the SSE Listing Rules, as Mr. Wu Jianping (an Executive Director of the Company) serves as a director and general manager of Longshan Cement, Longshan Cement is a connected person of the Group. Accordingly, the above transactions constitute connected transactions.

The purchase price of clinker was determined, with reference to market prices, by Longshan Cement with Jiangmen Conch and Foshan Conch, respectively, after negotiations. Such purchase price is not higher than that offered to other independent customers by Longshan Cement. During the Reporting Period, Jiangmen Conch and Foshan Conch mainly considered the cost, product quality, market demand and the price of similar products offered by other third parties in the same area in determining whether it would procure clinker from Longshan Cement or other independent suppliers. The procurement of clinker was settled by payment of purchase price before delivery.

During the Reporting Period, Jiangmen Conch procured clinker from Longshan Cement for an amount of RMB42.47 million, which did not exceed the cap of RMB142.5 million as prescribed under the Clinker Procurement Agreement; Foshan Conch procured clinker from Longshan Cement for an amount of RMB13.15 million which did not exceed the annual cap of RMB28.5 million as prescribed under the Clinker Procurement Agreement.

For further details, please refer to the Company’s announcement dated 27 April 2011 and published on the website of the Stock Exchange and the website of the Company, and the

Company's announcement dated 28 April 2011 and published on the SSE website and Shanghai Securities Journal. These continuing connected transactions are not subject to the requirements of approval by independent shareholders.

3. Transactions with Longshan Cement – mutual procurement of spare parts and production ancillary materials

On 27 April 2011, as approved by the Board, Prosperity Conch (a subsidiary of the Company) and Longshan Cement entered into a spare parts and production ancillary materials procurement agreement ("Spare Parts and Production Ancillary Materials Procurement Agreement") in relation to the mutual procurement of spare parts and production ancillary materials between Prosperity Conch and Longshan Cement, and the purchase price was provided to be RMB20 million. The term of the agreement commenced from 27 April 2011 and will expire on 31 December 2011.

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

During the Reporting Period, the total purchase prices of spare parts and production ancillary materials mutually procured between Prosperity Conch and Longshan Cement amounted to RMB6.82 million. Such purchase prices did not exceed the cap for mutual procurement of spare parts and production ancillary materials as prescribed under the Spare Parts and Production Ancillary Materials Procurement Agreement.

For further details, please refer to the Company's announcement dated 27 April 2011 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 28 April 2011 and published on the SSE website and Shanghai Securities Journal. Such continuing connected transactions are not subject to the requirements of approval by independent shareholders.

4. Residual heat electricity generation projects

On 2 June 2011, as approved by the Board, the Company and Anhui Conch Kawasaki Engineering Co., Ltd. (“Conch Kawasaki Engineering”) entered into an equipment supply and design contract, pursuant to which Conch Kawasaki Engineering has agreed to provide supply and design services for a whole set of equipment for the construction of residual heat electricity generation projects for certain subsidiaries of the Company. The aggregate contract sum amounted to RMB330.35 million.

Conch Kawasaki Engineering is a sino-foreign equity joint venture enterprise established in the PRC. As Mr. He Chengfa (a deputy general manager of the Company) serves as the chairman of Conch Kawasaki Engineering, under the SSE Listing Rules, Conch Kawasaki Engineering is considered to be a connected person of the Company. As such, the above transaction constituted a connected transaction. The above transaction did not constitute a connected transaction under the HKSE Listing Rules.

In respect of this transaction between the Company and Conch Kawasaki Engineering, the purchase price for the equipment charged by Conch Kawasaki Engineering was based on the actual cost incurred by it plus certain markup. The design fee was determined based on the costs of the projects (determined mainly by the scale of the projects and various technical specifications) as well as the prevailing market prices of such services and the prices charged by Conch Kawasaki Engineering against other customers, after negotiations between the parties, but such price is not higher than that offered by Conch Kawasaki Engineering to other independent customers of its.

During the Reporting Period, in the context of the performance of the above equipment supply and design contract (and only such contract), the Group had paid the relevant equipment price and design fee totalling 46.53 million to Conch Kawasaki Engineering. In connection with the performance of other similar contracts entered into in previous years, the total equipment price and design fee paid to Conch Kawasaki Engineering during the Reporting Period amounted to RMB362.08 million.

For further details, please refer to the Company’s announcement dated 2 June 2011 and

published on the website of the Stock Exchange, and the Company's announcement dated 3 June 2011 and published on the SSE website and Shanghai Securities Journal. Such connected transaction is not subject to the independent shareholders' approval requirements.

5. Purchase of milling equipment

On 2 June 2011, as approved by the Board, the Company and Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("Conch Kawasaki Energy Conservation") entered into a CK milling equipment supply contract, pursuant to which the Company agreed to purchase from Conch Kawasaki Energy Conservation 6 sets of CK raw material milling equipment and 2 sets of CK cement milling equipment, which would be installed at the clinker production lines of certain subsidiaries of the Company. The total contract sum was RMB198 million.

Conch Kawasaki Energy Conservation is a sino-foreign equity joint venture enterprise established in the PRC. As Mr. Ji Qinying (an executive Director and the general manager of the Company) serves as the chairman of the board of directors of Conch Kawasaki Energy Conservation, while Mr. He Chengfa (a deputy general manager of the Company) serves as a director of Conch Kawasaki Energy Conservation, under the SSE Listing Rules, Conch Kawasaki Energy Conservation is considered to be a connected person of the Company. As such, the above transaction constituted a connected transaction for the purpose of the SSE Listing Rules. The above transaction did not constitute a connected transaction under the HKSE Listing Rules.

The contract sum was agreed between the parties on the basis of the costs of the equipment and the prevailing market prices of such equipment, and also with reference to the fees charged by Conch Kawasaki Energy Conservation against other customers, but such contract sum is not be higher than that offered by Conch Kawasaki Energy Conservation to other independent customers of its.

During the Reporting Period, in the context of the performance of the above CK milling equipment supply contract (and only such contract), the Group had not yet paid the relevant

equipment price to Conch Kawasaki Energy Conservation. In connection with the performance of other similar contracts entered into in previous years, the total equipment price paid to Conch Kawasaki Energy Conservation during the Reporting Period amounted to RMB165.30 million.

For further details, please refer to the Company's announcement dated 2 June 2011 and published on the website of the Stock Exchange, and Company's announcement dated 3 June 2011 and published on the SSE website and Shanghai Securities Journal. Such connected transaction is not subject to the independent shareholders' approval requirements.

6. Design of cement and clinker engineering projects

On 2 June 2011, as approved by the Board of the Company, the Company and Conch Design entered into a design and technical service contract, pursuant to which Conch Design has agreed to provide services of design and technical modification of clinker production lines and cement grinding mill systems for certain subsidiaries of the Company. The contract sum amounted to RMB45.58 million.

Conch Design is a wholly-owned subsidiary of Conch Holdings, the controlling shareholder of the Company. Under the HKSE Listing Rules, Conch Design is an associate of Conch Holdings and is therefore a connected person of the Company and, accordingly the above transaction constituted a connected transaction. Under the SSE Listing Rules, Conch Design is a connected person of the Company and, accordingly, 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 the Ministry of Construction in 2002, having regard to the project scale, investment sum, scope of design, technical specifications and the prevailing market prices. The design fee is provided to be settled according to project progress.

During the Reporting Period, in the context of the performance of the above composite project design contract (and only such contract), the design fee paid by the Group to Conch

Design amounted to RMB6.04 million. Taking into account the aforesaid contract and similar contracts entered into in previous years, the aggregate design fees paid to Conch Design during the Reporting Period amounted to RMB32.11 million.

For further details, please refer to the Company's announcement dated 2 June 2011 and published on the website of the Stock Exchange, and the Company's announcement dated 3 June 2011 and published on the SSE website and Shanghai Securities Journal. Such connected transaction was not subject to the independent shareholders' approval requirements.

7. Loans from Conch Holdings, the controlling shareholder

To further support the Company's business and development, to optimize the Company's financial structure and to reduce its financial costs, following negotiations, Conch Holdings advanced to the Group part of the funds raised from the issue of its medium term notes, which were applied to the improvement of financing structure and replenishment of working capital. On 31 March 2011, as approved by the Board, the Company was authorized to borrow from Conch Holdings for an amount of not more than RMB2.0 billion with an annual interest rate of 5.78% and for a term commencing from the date of withdrawal of the fund from the bank account of Conch Holdings to 27 March 2014.

During the Reporting Period, the Group borrowed RMB2.0 billion from Conch Holdings, with a balance of RMB5.35 billion remaining outstanding as at the end of the Reporting Period.

For details, please refer to the Company's announcement dated 31 March 2011 and published on the websites of the Stock Exchange and the Company respectively, and the Company's announcement dated 1 April 2011 and published on the SSE website and Shanghai Securities Journal. Such connected transaction was not subject to independent shareholders' approval requirements.

(7) MATERIAL CONTRACTS

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

2. Guarantees

During the Reporting Period, the external guarantees provided by the Company related to loans of its own and of its subsidiaries, and all the guarantees were approved by the Board.

During the Reporting Period, the guarantees provided by the Company for its subsidiaries amounted to RMB170 million, all being guarantees for collateral liabilities; as at 30 June 2011, the balance of guarantees provided by the Company for its subsidiaries amounted to RMB4,362.25 million, representing 11.76% of the net assets of the Company at the end of the Reporting Period.

During the Reporting Period, the Company did not provide any guarantee for its controlling shareholder, de facto controllers, other related parties and any other entities which are not legal persons or individuals. The aggregate amount of guarantees provided by the Company did not exceed 50% of the Company's net assets as shown in its audited financial statements. The amount of guarantee provided by the Company to the subsidiaries controlled by it with a gearing ratio of over 70% was nil.

As at 30 June 2011, Ningguo Cement Plant and Baimashan Cement Plant of Anhui Conch Cement Company Limited (being branch companies of the Company) pledged their assets having a book value of approximately RMB654 million to International Finance Corporation as security for their long-term loan in the sum of RMB650 million.

3. Financial Entrustment

To reduce financial expenses of the Company and to enhance the efficiency of working capital utilization, following the approval by the Board on 14 June 2011, the Company used part of its working capital, which amounted to RMB4 billion (accounting for 11.43% of the net assets attributable to the Company as at 31 December 2010 as consolidated and audited in accordance with Chinese Accounting Standards) for financial entrustment. The detailed

entrustment plan is as follows:

① The Company and Anhui Guoyuan Trust Co., Ltd. (hereinafter referred to as “Guoyuan Trust”) set up a trust plan, with trust fund amounting to RMB2.5 billion for a term of one year, and the expected annualized rate of return is 5.85%. The Company is the settlor of as well as the beneficiary under this trust plan, while Guoyuan Trust is the trustee of this trust plan.

At the same time when this trust plan was set up, the Company and China Construction Bank Co., Ltd. Anhui Provincial Branch (hereinafter referred to as “CCB Anhui Branch”) entered into a cooperation agreement, and both parties agreed that CCB Anhui Branch would be transferred the rights to receive the entire trust funds (including income) under this trust plan on the date falling 6 months from the date of establishment of such trust plan, and CCB Anhui Branch shall on such date make payment to the Company for a sum equal to the trust fund plus the relevant return of this trust plan up to such date.

② The Company and Sichuan Trust Co., Ltd. (hereinafter referred to as “Sichuan Trust”) set up a trust plan, with trust fund amounting to RMB750 million for a term of one year, and the expected annualized rate of return is 8.50%. The Company is the settlor of as well as the beneficiary under this trust plan, while Sichuan Trust is the trustee of this trust plan. Upon the maturity of the trust, Sichuan Trust will make payment to the Company for such sum equal to the trust fund and the related return.

At the same time when the this trust plan was set up, Bank of China Wuhu Branch effected insurance for this trust plan at BOC Insurance Co., Ltd. Anhui Branch (“BOC Insurance”), Conch Cement is the insured and also beneficiary. If, at the maturity of this entrusted investment plan, the sum equal to (i) the pro rata net value of the entrusted investment plan attributable to the insured and (ii) the accumulated bonus amount is less than the sum of principal amount paid on the establishment date of this entrusted investment plan and the expected return stipulated in entrustment plan agreement, BOC Insurance is liable under the insurance policy to pay the insured an amount equal to the above-mentioned shortfall.

③ The Company purchased RMB750 million wealth management product of BOC for a term of 185 days and the expected annualized rate of return is 4.80%.

At the same time of the Company purchasing this wealth management product, Bank of China Wuhu Branch effected insurance for this wealth management product with BOC Insurance, Conch Cement is the insured as well as the beneficiary. If, at the maturity of this wealth management plan, the sum of (i) the pro rata net value of the wealth management product attributable to the insured, and (ii) the accumulated bonus amount is less than the sum of principal amount paid on the establishment date of this wealth management product

and the expected return stipulated in wealth management product agreement, BOC Insurance is liable under the insurance policy to pay the insured an amount equal to the above-mentioned shortfall.

For further details of the above entrustment plans, please refer to the Company's announcement dated 14 June 2011 and published on the websites of the Stock Exchange and the Company respectively, and the Company's announcement dated 15 June 2011 and published on the SSE website and Shanghai Securities Journal.

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

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

(9) 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 giving of advice and recommendations to the Board. This half-year report of 2011 was reviewed by the Audit Committee.

(10) OTHER SIGNIFICANT EVENTS

To increase the proportion of direct financing and to improve the Company's debt structure so as to control risk and to promote the development of the Company, the Board, on 2 April 2009, considered and approved the issuance in the PRC of corporate bonds in an aggregate principal amount of no more than RMB9.5 billion. Such bond issuance was approved by shareholders of the Company at the 2008 annual general meeting held on 5 June 2009.

On 28 March 2011, pursuant to the approval given by the Company's shareholders at the above general meeting, the Board, at its third meeting of the fifth session considered and approved the modification of the term and type of corporate bonds proposed to be issued, and such modification proposal submitted at the 2010 annual general meeting was approved by shareholders at such general meeting who also approved the extension the validity period

of the above resolution to issue corporate bonds for one more year (i.e. being extended to 5 June 2012).

On 9 May 2011, CSRC (by Zheng Jian Xu Ke [2011] No.650 “Reply on examining and approving public issuance of corporate bonds by Anhui Conch Cement Company Limited”) gave approval to the Company for its issue to the public of corporate bonds in an aggregate principal amount of no more than RMB9.5 billion .

As of 26 May 2011, the Company completed all the steps for the issuance of corporate bonds. The total principal amounts of corporate bonds issued is RMB9.5 billion, of which the aggregate principal amounts of the bonds issued with a 5-year term and coupon rate of 5.08% are RMB7 billion, while those of the bonds issued with a 7-year term and a coupon rate of 5.20% are RMB2.5 billion. Net proceeds raised from this issue, after deduction of related expenses, amounted to RMB9,461.98 million. The proceeds raised from this issue were intended to repay loans and supplement the Company's working capital.

On 15 June 2011, the corporate bonds of the Company began trading on SSE. The securities abbreviation for the 5-year bonds is “11 Conch 01” with stock code “122068”; while the securities abbreviation for the 7-year bonds is “11 Conch 02” with stock code “122069”.

As of 30 June 2011, the amount in proceeds used by the Company accumulated to RMB7,200 million, of which RMB2,450 million and RMB4,750 million were used to repay loans and supplement the Company's working capital, respectively; whereas the accrued interests and the balance (including interests) of such proceeds amounted to RMB4.06 million and RMB2,266.04 million, respectively.

For further details, please refer to relevant announcements of the Company published on the SSE website, Shanghai Securities Journal, Securities Times, China Securities Journal, as well as the respective websites of the Stock Exchange and the Company.

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

During the Reporting Period, Conch Holdings (the controlling shareholder of the Company) received a notice of decision on administrative sanction ([2011] No.11) from CSRC. The notice states that there occurred acts where Conch Holdings carried on securities transactions under the accounts of third parties from 12 April 2000 to 24 January 2007, which violated the provisions of Article 74 of the former Securities Law and Article 80 of the Securities Law, and constituted the conducts as prescribed under Article 190 of the former Securities Law regarding “trading of securities by a legal person under the account created in the name of natural persons” and Article 208 of the Securities Law regarding “trading of securities by a legal person under the account created in the name of a third party or by using the account of a third party”. CSRC ruled that Conch Holdings’ income of RMB6,815,745.23 arising from such violation be confiscated, having taken into account that such violation had its historical background and objective reasons, which was rectified and dealt with in a timely manner upon request, and also assuming liability for violation of statutory requirements.

The above confiscated amount was paid by Conch Holdings, within 15 days from the date of its receiving the notice of penalty-ruling, to the operations department of the headquarters of CITIC Bank as designated by CSRC for onward payment to the State treasury, and a copy of the payment receipt was given to the Investigation Bureau of CSRC for file record.

VII. FINANCIAL INFORMATION

Financial information extracted from the unaudited consolidated balance sheet of the Group at 30 June 2011 and unaudited consolidated income statement and consolidated statement of comprehensive income of the Group for the six months ended 30 June 2011 together with the comparative figures at 30 June 2010, prepared in accordance with IFRS and presented on the basis described in Note 4(1) below are as follows:

1. Consolidated balance sheet

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment		43,621,978	39,118,501
Lease prepayments		2,345,447	2,020,166
Intangible assets		910,230	781,755
Goodwill		39,345	16,120
Interest in associates		161,363	159,590
Interest in jointly controlled entities		122,219	863,602
Loans and receivables		96,534	110,216
Available-for-sale equity securities		4,286,175	3,754,675
Deferred tax assets		<u>114,102</u>	<u>80,943</u>
		51,697,393	46,905,568
		-----	-----
Current assets			
Inventories		3,819,457	2,493,128
Other investments		109,020	-
Trade receivables		7,771,496	6,403,560
Prepayments and other receivables		5,777,192	1,526,682
Amounts due from related parties		402,280	335,435
Tax recoverable		8,087	6,907
Restricted cash deposits		63,487	46,726
Cash and cash equivalents		<u>7,842,311</u>	<u>2,689,148</u>
		25,793,330	13,501,586
		-----	-----
Current liabilities			
Trade payables		4,383,711	4,001,783
Other payables and accruals		4,631,381	4,615,129
Bank loans and other borrowings		3,827,773	3,171,523
Amounts due to related parties		579,931	366,946
Current portion of long-term payables		12,162	12,702

1. Consolidated balance sheet - continued

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000 (Restated)
Obligations under finance leases		64,609	66,742
Current taxation		<u>1,154,313</u>	<u>842,200</u>
		14,653,880	13,077,025
		-----	-----
Net current assets		<u>11,139,450</u>	<u>424,561</u>
		-----	-----
Total assets less current liabilities		<u>62,836,843</u>	<u>47,330,129</u>
		-----	-----

1. Consolidated balance sheet - continued

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000 (Restated)
Non-current liabilities			
Bank loans and other borrowings		20,038,620	10,971,386
Long-term payables		62,709	65,398
Obligations under finance leases		112,586	110,934
Deferred income		422,607	410,109
Deferred tax liabilities		<u>716,148</u>	<u>523,122</u>
		21,352,670	12,080,949
		-----	-----
NET ASSETS		<u>41,484,173</u>	<u>35,249,180</u>
CAPITAL AND RESERVES			
Share capital		5,299,303	3,532,868
Reserves		<u>34,649,410</u>	<u>31,096,087</u>
Total equity attributable to equity shareholders of the Company		39,948,713	34,628,955
Non-controlling interests		<u>1,535,460</u>	<u>620,225</u>
TOTAL EQUITY		<u>41,484,173</u>	<u>35,249,180</u>

2. Consolidated income statement

		For the six months ended 30 June	
	Note	2011 RMB'000	2010 RMB'000 (Restated)
Revenue	4(3)&(4)	22,327,265	13,868,274
Cost of sales and services rendered		<u>(12,949,948)</u>	<u>(10,412,538)</u>
Gross profit		9,377,317	3,455,736
Other revenue	4(5)	417,862	306,026
Other net income	4(5)	83,087	6,024
Selling and marketing costs		(800,615)	(711,731)
Administrative expenses		<u>(699,221)</u>	<u>(443,517)</u>
Profit from operations		8,378,430	2,612,538
Finance costs	4(6)(a)	(331,345)	(257,230)
Share of profits/(losses) of associates		1,772	(1,201)
Share of profits of jointly controlled entities		<u>18,662</u>	<u>3,779</u>
Profit before taxation	4(6)	8,067,519	2,357,886
Income tax	4(7)	<u>(1,983,997)</u>	<u>(485,765)</u>
Profit for the period		<u>6,083,522</u>	<u>1,872,121</u>
Attributable to:			
Equity shareholders of the Company		5,980,993	1,795,595
Non-controlling interests		<u>102,529</u>	<u>76,526</u>
Profit for the period		<u>6,083,522</u>	<u>1,872,121</u>

2. Consolidated income statement – continued

	Note	For the six months ended 30 June	
		2011 RMB'000	2010 RMB'000 (Restated)
Earnings per share	4(9)		
Basic		<u>RMB1.13</u>	<u>RMB0.34</u>
Diluted		<u>RMB1.13</u>	<u>RMB0.34</u>

3. Consolidated statement of comprehensive income

	Note	For the six months ended 30 June	
		2011 RMB'000	2010 RMB'000 (Restated)
Profit for the period		6,083,522	1,872,121
Other comprehensive income for the period (after tax and reclassification adjustments):			
Available-for-sale equity securities: net movement in fair value reserve	4(8)	<u>398,626</u>	<u>(396,072)</u>
Total comprehensive income for the period		<u>6,482,148</u>	<u>1,476,049</u>
Attributable to:			
Equity shareholders of the Company		6,379,619	1,399,523
Non-controlling interests		<u>102,529</u>	<u>76,526</u>
Total comprehensive income for the period		<u>6,482,148</u>	<u>1,476,049</u>

4. 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 15 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 4 (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 2010 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 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

The financial information relating to the financial year ended 31 December 2010 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 2010 are available at the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their audit report dated 28 March 2011.

(2) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs and one new Interpretation 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:

- IAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRSs (2010)

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

Improvement to IFRSs (2010) allows a first-time adopter of IFRSs to use an event-driven fair value measurement as deemed cost for its assets and liabilities, even when the measurement date is after the IFRS transition date, provided that the measurement date is before the end of the period covered by the entity's first IFRS financial statements. This amendment can also be adopted retrospectively by existing IFRS reporters, provided that they make the necessary changes at the latest in the first annual period beginning on or after 1 January 2011. Accordingly, with effect from 1 January 2011, the Company has applied this amendment retrospectively, and the revalued amount of the Group's interests in leasehold land for own use on the occurrence of the Company's initial public offering in 1997 has been recognised as deemed cost in this interim financial report. Prior to 1 January 2011, interests in leasehold land for own use which is included in the financial statements as lease prepayments were carried at historical cost. The above change in accounting policy was made with a view to aligning the accounting policies adopted in the financial statements of the Group prepared under IFRSs and the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC.

The change in the aforesaid accounting policy is applied retrospectively and had no material impact on earnings per share.

	Lease prepayments RMB '000	Capital reserve RMB'000	Retained earnings/ profit or loss RMB'000
Balance as reported - 1 January 2010	1,458,659	(38,727)	(11,068,873)
Effect of event-driven revaluation up to 1 January 2010	<u>144,550</u>	<u>(191,981)</u>	<u>47,431</u>
Restated balance as at 1 January 2010	<u><u>1,603,209</u></u>	<u><u>(230,708)</u></u>	<u><u>(11,021,442)</u></u>
Balance as reported - 31 December 2010	1,879,454	(32,221)	(16,231,224)
Effect of event-driven revaluation up to 1 January 2010	144,550	(191,981)	47,431
Effect of event-driven revaluation during the year of 2010	<u>(3,838)</u>	<u>-</u>	<u>3,838</u>
Restated balance as at 31 December 2010	<u><u>2,020,166</u></u>	<u><u>(224,202)</u></u>	<u><u>(16,179,955)</u></u>

The effect on the consolidated income statement in the current period was to recognise a loss of RMB1,919,000 (six months ended 30 June 2010: RMB1,919,000).

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

(3) Segment reporting

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

(a) Segment results, assets and liabilities

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

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

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

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

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

(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 2011

	East China	Central China	South China	West China	Subtotal	Reconciling items (note (b))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	7,517,247	9,090,718	4,107,331	1,611,969	22,327,265	-	22,327,265
Inter-segment revenue	637,065	4,894,433	64,669	14,498	5,610,665	(5,610,665)	-
Reportable segment revenue	8,154,312	13,985,151	4,172,000	1,626,467	27,937,930	(5,610,665)	22,327,265
Reportable segment profit							
(Profit before taxation)	1,531,837	7,217,863	1,183,999	393,071	10,326,770	(2,259,251)	8,067,519
Interest income	3,547	38,387	1,521	784	44,239	-	44,239
Interest expense	(47,664)	(209,134)	(45,741)	(28,806)	(331,345)	-	(331,345)
Depreciation and amortisation for the period	(186,679)	(678,113)	(212,831)	(151,533)	(1,229,156)	-	(1,229,156)
Additions to non-current segment assets during the period	358,874	1,862,961	620,157	3,257,333	6,099,325	-	6,099,325
At 30 June 2011							
Reportable segment assets							
(including investment in associates and joint ventures)	10,035,316	60,512,579	9,004,079	10,847,017	90,398,991	(12,908,268)	77,490,723
Reportable segment liabilities	5,714,137	24,904,663	2,364,249	6,932,276	39,915,325	(3,908,775)	36,006,550

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

For the six months ended 30 June 2010

	East China	Central China	South China	West China	Subtotal	Reconciling items (note (b))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Restated)	(Restated)
Revenue from external customers	4,622,154	5,930,471	2,936,578	379,071	13,868,274	-	13,868,274
Inter-segment revenue	607,978	2,817,967	45,683	-	3,471,628	(3,471,628)	-
Reportable segment revenue	5,230,132	8,748,438	2,982,261	379,071	17,339,902	(3,471,628)	13,868,274
Reportable segment profit							
(Profit before taxation)	329,645	2,465,166	1,003,853	98,500	3,897,164	(1,539,278)	2,357,886
Interest income	3,016	22,325	1,367	208	26,916	-	26,916
Interest expense	(37,536)	(178,879)	(33,052)	(7,763)	(257,230)	-	(257,230)
Depreciation and amortisation for the period	(133,117)	(603,546)	(173,252)	(42,599)	(952,514)	-	(952,514)
Additions to non-current segment assets during the period	816,855	1,705,760	281,748	2,043,908	4,848,271	-	4,848,271
At 31 December 2010							
Reportable segment assets							
(including investment in associates and joint ventures)	9,982,827	43,908,331	9,285,897	8,006,318	71,183,373	(10,776,219)	60,407,154
Reportable segment liabilities	6,085,008	13,595,847	2,360,713	4,985,933	27,027,501	(1,869,527)	25,157,974

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Revenue		(Restated)
Elimination of inter-segment revenue	<u>(5,610,665)</u>	<u>(3,471,628)</u>
Profit		
Elimination of inter-segment profits	(2,276,939)	(1,554,443)
Differences between		
PRC accounting standards and IFRS*		
- item (1)	<u>17,688</u>	<u>15,165</u>
	<u>(2,259,251)</u>	<u>(1,539,278)</u>
	At	At
	30 June	31 December
	2011	2010
	RMB '000	RMB'000
		(Restated)
Assets		
Elimination of inter-segment balances	(12,908,268)	(10,771,519)
Differences between		
PRC accounting standards and IFRS*		
- item (2)	<u>-</u>	<u>(4,700)</u>
	<u>(12,908,268)</u>	<u>(10,776,219)</u>
Liabilities		
Elimination of inter-segment balances	(4,308,134)	(2,247,472)
Differences between		
PRC accounting standards and IFRS*		
- item (1)	<u>399,359</u>	<u>377,945</u>
	<u>(3,908,775)</u>	<u>(1,869,527)</u>

* Differences between PRC accounting standards and IFRS:

- item (1): The difference arises from the deferred income in respect of the government grants recognised under IFRS.
- item (2): The difference arises from the profit for the period in respect of jointly controlled entities under IFRS

(c) 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, lease prepayments, intangible assets, goodwill, interests in associates and jointly controlled entities ("specified non-current assets"). The geographical location of customers is based on the location, at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of lease prepayments, intangible assets and goodwill, and the location of operations, in the case of interests in associates and jointly controlled entities.

	Revenue		Specified	
	from external customers		non-current assets	
	Six months ended		At	At
	30 June	30 June	30 June	31 December
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
				(Restated)
The People's Republic of China ("the PRC")	21,719,727	12,917,852	47,200,582	42,959,734
Others	<u>607,538</u>	<u>950,422</u>	<u>-</u>	<u>-</u>
	<u>22,327,265</u>	<u>13,868,274</u>	<u>47,200,582</u>	<u>42,959,734</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	
	2011	2010
	RMB'000	RMB'000
Subsidy income	373,623	279,110
Interest income	<u>44,239</u>	<u>26,916</u>
	<u>417,862</u>	<u>306,026</u>

(b) Other net income

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Remeasurement to fair value of pre-existing interest in acquiree	62,595	-
Net unrealised gain on trading securities	5,433	-
Change in fair value of derivatives	1,417	-
Net gain on disposal of fixed assets	128	1,378
Exchange gain/ (loss)	6,686	(227)
Others	<u>6,828</u>	<u>4,873</u>
	<u>83,087</u>	<u>6,024</u>

(6) Profit before taxation

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

(a) Finance costs:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Finance charge on obligations under finance leases	3,897	-
Interest on bank loans and other borrowings	434,603	316,712
Less:		
interest expense capitalised into construction-in-progress	<u>(107,155)</u>	<u>(59,482)</u>
	<u>331,345</u>	<u>257,230</u>

(b) Other items:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Depreciation	1,182,253	922,299
Amortisation of interests in leasehold land held for own use under operating leases	22,449	17,573
Other amortisation	24,184	12,642
Staff costs	<u>828,639</u>	<u>535,719</u>

(7) Income tax

Six months ended 30 June	
2011	2010
RMB'000	RMB'000

Current tax-PRC Corporate Income Tax

Provision for the period	1,991,605	491,841
--------------------------	-----------	---------

Deferred tax

Origination and reversal of temporary differences	<u>(7,608)</u>	<u>(6,076)</u>
	<u>1,983,997</u>	<u>485,765</u>

No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2011 and 2010 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

Individual companies within the Group are generally subject to Corporate Income Tax at 25% (six months ended 30 June 2010: 25%) on taxable income determined according to the relevant income tax rules and regulations of the PRC, except for:

Shanghai Conch Cement Sales Co., Ltd.	24%
上海海螺水泥銷售有限公司 (Note i)	
Shanghai Mingzhu Conch Cement Co., Ltd	24%
上海海螺明珠水泥有限責任公司 (Note i)	
Shanghai Conch Construction Material International Trading Co., Ltd.	24%
上海海螺建材國際貿易有限公司 (Note i)	

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 Corporate 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 Corporate Income Tax rate applicable to these subsidiaries in 2011 is therefore 24%.

(8) Other comprehensive income

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Available-for-sale equity securities		
Changes in fair value recognised during the period (after tax)	<u>398,626</u>	<u>(396,072)</u>
Net movement in the fair value reserve during the period recognised in other comprehensive income	<u><u>398,626</u></u>	<u><u>(396,072)</u></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 2011 of RMB 5,980,993,000 (six months ended 30 June 2010: RMB1,795,595,000) and the weighted average number of shares in issue during the six months ended 30 June 2011 of 5,299,303,000 (six months ended 30 June 2010: 5,299,303,000 after restatement for the capitalisation issue in 2011).

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the six months ended 30 June 2011 and 2010.

(10) Business combinations

(a) Guiyang Conch Panjiang Cement Co., Ltd (“Guiyang Conch”), Guiding Conch Panjiang Cement Co., Ltd (“Guiyang Conch”) and Zunyi Conch Panjiang Cement Co., Ltd (“Zunyi Conch”)

Pursuant to resolutions passed in the shareholders’ meetings of Guiyang Conch, Guiding Conch and Zunyi Conch on 31 May 2011, the Articles of Association of the three companies have been amended on 31 May 2011 such that the Company obtained control over Guiyang Conch, Guiding Conch and Zunyi Conch, which were previously joint controlled entities of the Company.

As a result, Guiyang Conch, Guiding Conch and Zunyi Conch have been accounted for as subsidiaries and consolidated in the Group’s consolidated financial statements with effect from 31 May 2011.

Taking control of the three companies will enable the Group to increase the scale of operation and improve the management efficiency.

During the period from the acquisition date to 30 June 2011, Guiyang Conch, Guiding Conch and Zunyi Conch contributed revenue of RMB82,777,000 and profit of RMB17,006,000 to the Group’s results. If the acquisition had occurred on 1 January 2011, management estimates that the consolidated revenue for the period ended 30 June 2011 would have been RMB22,688,209,000, and consolidated profit for the period would have been RMB6,116,987,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would remain the same even if the acquisition had occurred on 1 January 2011.

Identifiable assets acquired and liabilities assumed:

	RMB’000
Property, plant and equipment	1,623,285
Lease prepayments	272,618
Inventories	66,027
Trade receivables, prepayments and other receivables	123,177
Cash and cash equivalents	514,357
Trade payables and other liabilities	(294,980)
Other borrowings	(640,000)
Deferred tax liabilities	<u>(26,247)</u>
Total net identifiable assets	<u><u>1,638,237</u></u>

Goodwill

As no consideration was transferred in the business combinations, the Company uses the fair value of its interests in Guiyang Conch, Guiding Conch and Zunyi Conch at the acquisition date to determine the amount of goodwill.

Goodwill has been recognised as a result of the acquisition as follows:

	RMB'000
Fair value of equity interest in the acquiree	842,344
Non-controlling interests, based on their proportionate interest in recognised amount of the assets and liabilities of the acquiree	819,118
Fair value of identifiable net assets	<u>(1,638,237)</u>
Goodwill	<u><u>23,225</u></u>

The remeasurement to fair value of the Group's 50% interests in the acquirees resulted in a gain of RMB62,595,000, which has been recognised in the consolidated financial statements.

(b) Yunnan Zhuangxiang Cement Co., Ltd (“Zhuangxiang Cement”)

On 3 June 2011, the Group obtained control of Zhuangxiang Cement by acquiring 100% of equity interest in Zhuangxiang Cement for a consideration of RMB 55,670,000.

Zhuangxiang Cement was a limited company established in the PRC on 26 December 2008, engaged in the manufacturing and sales of cement related products. Taking control of Zhuangxiang Conch will enable the Group to increase the scale of operation.

During the period from the acquisition date to 30 June 2011, revenue of Zhuangxiang Cement was RMB2,168,000 and the loss was RMB1,548,000. If the acquisition has occurred on 1 January 2011, management estimates that the consolidated revenue for the period ended 30 June 2011 would have been RMB22,370,276,000, and consolidated profit for the period would have been RMB6,079,306,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would remain the same even if the acquisition had occurred on 1 January 2011.

Fair value of identifiable assets acquired and liabilities assumed:

RMB'000

Property, plant and equipment	133,150
Lease prepayments	27,810
Inventories	2,981
Trade receivables, prepayments and other receivables	29,502
Trade payables and other liabilities	(131,383)
Deferred tax liabilities	<u>(5,452)</u>
Total net identifiable assets	<u><u>56,608</u></u>

Bargain purchase gain

Bargain purchase gain has been recognised as a result of the acquisition as follows:

RMB'000

Total consideration transferred	55,670
Fair value of identifiable net assets	<u>(56,608)</u>
Bargain purchase gain	<u><u>(938)</u></u>

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

Wuhu City, Anhui Province, the PRC
15 August 2011

As at the date of this announcement, the Board comprises (i) Mr Guo Wensan, Mr Guo Jingbin, Mr Ji Qinying, Ms Zhang Mingjing, and Mr Wu Jianping as executive directors, and (ii) Mr Kang Woon, Mr Chan Yuk Tong, and Mr Ding Meicai as independent non-executive directors.