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安徽海螺水泥股份有限公司

Anhui Conch Cement Company Limited

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

(Stock Code: 00914)

Interim results for the six months ended 30 June 2013

Revenue for the six months ended 30 June 2013 ("Reporting Period"), prepared in accordance with the International Financial Reporting Standards ("IFRS"), amounted to approximately RMB23,587.09 million, representing an increase of approximately 14.73% over the corresponding period of last year.

Profit attributable to equity shareholders of the Company for the six months ended 30 June 2013, prepared in accordance with the IFRS, was approximately RMB3,058.52 million, representing an increase of approximately 4.28% over the corresponding period of last year.

Basic earnings per share for the six months ended 30 June 2013, prepared in accordance with the IFRS, were RMB0.58.

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 the 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 details

	Secretary to the board ("Board") of directors ("Directors") of the Company	Securities affairs representative of the Company
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 2013 (RMB'000)	Six months ended 30 June 2012 (RMB'000)	Increase/ (decrease) over the same period of the previous year (%)
Revenue	23,587,088	20,559,155	14.73
Net profit attributable to equity shareholders of the Company	3,058,517	2,932,979	4.28
	As at 30 June 2013 (RMB'000)	As at 31 December 2012 (RMB'000)	**Increase/ (decrease) over the beginning of the year (%)**
Total assets	85,819,948	87,523,523	(1.95)
Total liabilities	34,038,973	36,720,402	(7.30)

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

Items	As at 30 June 2013 (RMB'000)	As at 31 December 2012 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets	85,819,948	87,523,523	(1.95)

Total equity attributable to equity shareholders of the Company	49,825,838	48,901,205	1.89

Items	**Six months ended 30 June 2013 (RMB'000)**	Six months ended 30 June 2012 (RMB'000)	**Increase/ (decrease) over the same period of the previous year (%)**
Net cash flow generated from operating activities	6,354,890	6,732,739	(5.61)
Revenue	23,587,088	20,559,155	14.73
Net profit attributable to equity shareholders of the Company	3,059,897	2,917,340	4.89
Net profit attributable to equity shareholders of the Company after extraordinary items	2,780,226	2,604,493	6.75
Weighted average return on net assets (%)	6.14	6.38	Decreased 0.24 percentage point
Basic earnings per share (RMB/per share)	0.58	0.55	4.89
Diluted earnings per share (RMB/per share)	0.58	0.55	4.89

III. TOTAL NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS OF THE TOP 10 SHAREHOLDERS

As at 30 June 2013, the Company had a total of 132,341 shareholders, 130 of which were holders of H Shares.

Name of shareholder	**Nature of shareholder**	**Number of shares held at the end of the Reporting Period (share)**	**Percentage of shareholding (%)**	**Class of shares**
1. Anhui Conch Holdings Co., Ltd. ("Conch Holdings")	State-owned legal person	1,918,329,108	36.20	A Share
2. HKSCC Nominees Limited *(Note 3)*	Foreign legal person	1,297,698,878	24.49	H Share
3. Anhui Conch Venture Investment Co., Ltd. ("Conch Venture")	Domestic non-state-owned legal person	286,713,246	5.41	A Share
4. Ping An Trust & Investment Co., Ltd. – Conch Equity Interest	Domestic non-state-owned legal person	37,790,167	0.71	A Share

5. Bosera Value Growth Securities Investment Fund	Others	29,669,662	0.56	A Share
6. Anhui Conch Construction Materials Design Institute ("Conch Design")	State-owned legal person	28,953,736	0.55	A Share
7. China Construction Bank – Penghua Value Advantage Equity Securities Investment Fund	Others	27,778,798	0.52	A Share
8. DEUTSCHE BANK AKTIENGESELLSCHAFT	Others	22,385,746	0.42	A Share
9. International Capital Corporation – Standard Chartered – GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE LTD	Others	21,217,725	0.40	A Share
10. The Industrial and Commercial Bank of China – Shanghai Stock Exchange 50 Trading Open-end Index Securities Investment Fund	Others	19,921,715	0.38	A Share

Notes:

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

(2) During the Reporting Period, there was no change in the number of the shares of the Company held by Conch Holdings and Conch Venture, and such shares were not subject to any pledge, freezing order or trust.

(3) HKSCC Nominees Limited held 1,297,698,878 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.

(4) So far as the Board is aware, as at the end of the Reporting Period, Conch Venture and Conch Holdings were connected to each other by virtue of Conch Venture being interested in 49% of the total issued shares in Conch Holdings and (in its own name) in 5.41% of the total issued shares in the Company, while Conch Holdings (in its own name) was interested in 36.20% of the total issued shares in the Company. Conch Design is a wholly-owned subsidiary of Conch Holdings, and hence they are regarded as parties acting in concert under the Management Methods on Acquisitions by Listed Companies of China Securities Regulatory Commission ("CSRC"). Except for the said shareholders, to the knowledge of the Company, the above shareholders were not connected to each other nor were they parties acting in concert.

IV. PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

V. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

1. Interests of Directors, supervisors and chief executive

For the six months ended 30 June 2013, 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("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. Corporate governance code and corporate governance report

For the six months ended 30 June 2013, the Company has complied with all the code provisions ("Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the HKSE Listing Rules.

VI. MANAGEMENT DISCUSSION AND ANALYSIS

MACRO-ENVIRONMENT

During the first half of 2013, China's economy maintained a steady development. The year-on-year GDP growth rate was 7.6%, down by 0.2 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 20.1%, basically similar to that in the same period of last year, whereas property investment sustained a year-on-year increase of 20.3%, up by 3.7 percentage points from that of the same period of last year. *(Source: National Bureau of Statistics of China)*

During the first half of 2013, the PRC's cement production volume rose by 9.67% year-on-year to 1,096 million tonnes, and the growth rate represented an increase of 4.19 percentage points from that in the same period of last year. Investments in the PRC cement industry was down by 9.45 percentage points year-on-year to RMB56 billion. The fixed asset investments recorded a stable growth, which greatly supported the cement market demand. Meanwhile, new production capacity in the industry reduced as compared to the same period of last year, its concentration level kept enhancing and the supply-and-demand condition was further improved. *(Source: Digital Cement)*

ANALYSIS OF OPERATIONAL CONDITIONS

Operations

During the first half of 2013, in response to the changing market conditions, the Group has developed sensible marketing strategies according to the market conditions of different regions to explore demands, make best use of production capacity to increase product sales volume. The Group also leveraged its competitive edge in bulk procurement of raw materials and fuel and captured the opportunities arising from the continuing decrease in coal price to lower the procurement costs, strengthened internal management to optimize each technical indicator and control operating costs, and enhanced its competitiveness, thereby achieving better operating results.

During the Reporting Period, in accordance with the PRC Accounting Standards, the Group's revenue arising from its principal activities amounted to RMB23,209 million, representing an increase of 14.33% from that in the same period of last year; its net profit attributable to equity shareholders of the Company amounted to RMB3,060 million, representing an increase of 4.89% from that in the same period of last year; and earnings per share were RMB0.58. In accordance with the IFRS, the revenue amounted to RMB23,587 million, representing an increase of 14.73% from that in the same period of last year; its net profit attributable to equity shareholders of the Company amounted to RMB3,059 million, representing an increase of 4.28% from that in the same period of last year; and earnings per share were RMB0.58.

During the Reporting Period, the Group pursued its project development at an orderly pace as scheduled. Construction of three clinker production lines of 5,000 t/d held by Guiding Conch Panjiang Cement Co., Ltd. ("Guiding Conch"), Qianxian Conch Cement Co., Ltd. ("Qianxian Conch") and Suzhou Conch Cement Co., Ltd. and eleven cement grinding units held by

Huainan Conch Cement Co., Ltd. and Xiangshan Conch Cement Co., Ltd. were successively completed and they have been put into operation, resulting in additional clinker production capacity of 5.40 million tonnes and additional cement production capacity of 12.10 million tonnes. The Group also accelerated the development of overseas projects at a steady pace. The cement project in South Kalimantan Indonesia, being the Group's first overseas project, commenced construction at the end of last year and was in smooth progress, of which equipment installation of some secondary construction works had commenced.

Meanwhile, the Group continued to promote the development of the energy conservation and environmental protection in cement projects. The two residual heat electricity generation units located at Jianghua Conch Cement Co., Ltd. and Guiding Conch were put into operation with an additional residual heat electricity generating capacity of 18MW. The Group also successively implemented staged combustion technology modification for 45 clinker production lines and SNCR flue gas denitration technology modification for 25 clinker production lines.

During the Reporting Period, there were no significant changes in the core competitiveness of the Group.

Sales

During the Reporting Period, the Group achieved relatively satisfactory results by further improving its market operational management. It realised an aggregate net sales volume of cement and clinker of 103 million tonnes, representing a year-on-year growth of 28.30%. The sales revenue increased by 14.33% as compared to that in the same period of last year.

Market and sales by region

Sales amount by region

Region	Six months ended 30 June 2013		Six months ended 30 June 2012		Change in sales amount (%)	Change in sales proportion (Percentage points)
	Sales amount (RMB'000)	Percentage (%)	Sales amount (RMB'000)	Percentage (%)		
East China[Note 1]	7,748,181	33.38	7,828,607	38.56	-1.03	(5.18)
Central China[Note 2]	6,643,696	28.63	4,969,769	24.48	33.68	4.15
South China[Note 3]	4,092,120	17.63	3,949,735	19.46	3.60	(1.83)
West China[Note 4]	4,042,552	17.42	2,895,967	14.27	39.59	3.15
Export	682,770	2.94	655,595	3.23	4.14	(0.29)
Total	**23,209,319**	**100.00**	**20,299,673**	**100.00**	**14.33**	**--**

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

The sales volume of each region increased by different amounts, and our market share was further increased.

Due to the intense competition in the cement market of **East China**, the Company adjusted its selling strategy on a timely basis and reported a year-on-year increase in sales volume of 15.07%, however the sales amount dropped slightly on a year-on-year basis due to the decrease in selling prices.

With the production capacity of the production lines put into operation at the second half of last year to reach full scale, as well as benefiting from several positive factors, such as stepped-up efforts in infrastructure construction and fast growth in fixed assets investments, the sales volume and sales amount in **Central China** increased by 56.69% and 33.68% respectively on a year-on-year basis.

During the first half of 2013, the market price in **South China** dropped after a high start at the beginning of the year. The price dropped significantly as compared to that of the corresponding period of last year, and the sales volume and sales amount increased by 12.69% and 3.6% respectively on a year-on-year basis.

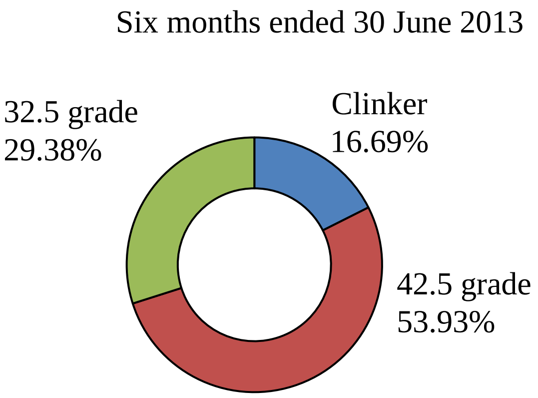
Results from sales network development and consolidation in **West China** emerged gradually. As the new construction projects including Guiding Conch and Qianxian Conch were successively completed and has commenced production, which further reinforced the Group's market dominance and competitiveness, the sales volume and sales amount increased by 40.95% and 39.59% respectively on a year-on-year basis.

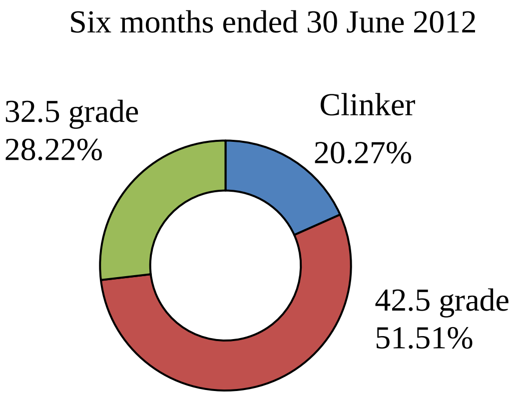
Export remained relatively stable, with a year-on-year increase of 6.97% and 4.14% respectively in export sales volume and sales amount.

Sales by type of products

During the Reporting Period, the Group attached importance to the achievement of production capacity of cement grinding mill and promoted the selling of cement, with a year-on-year increase of 2.98 percentage points and 3.58 percentage points respectively in the percentages of sales volume and sales amount of cement.

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 2013 (RMB'000)	Six months ended 30 June 2012 (RMB'000)	
Revenue from principal activities	23,209,319	20,299,673	14.33
Profit from operations	3,635,232	3,110,803	16.86
Profit before taxation	4,060,820	3,638,550	11.61
Net profit attributable to equity shareholders of the Company	3,059,897	2,917,340	4.89

During the Reporting Period, benefiting from the increased sales volume of the Group's products, the Group's revenue from principal activities increased by 14.33% year-on-year to RMB23,209.32 million, and its profit from operations amounted to RMB3,635.23 million, representing a year-on-year increase of 16.86%. The net profit attributable to equity shareholders of the Company increased by 4.89% year-on-year to RMB3,059.90 million.

Gross profit by type of products for the six months ended 30 June 2013 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 points)
42.5 grade cement	12,516,922	8,901,123	28.89	26.81	2.08
32.5 grade cement	6,818,599	4,568,763	33.00	32.86	0.14
Clinker	3,873,798	3,127,281	19.27	19.75	(0.48)
Total	**23,209,319**	**16,597,168**	**28.49**	**27.09**	**1.40**

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

During the Reporting Period, despite the decrease in selling prices, the consolidated gross profit margin recorded a year-on-year increase of 1.40 percentage points to 28.49% as a result of the decrease in costs. The 42.5 grade cement recorded the highest increase in gross profit margin, representing a year-on-year increase of 2.08 percentage points.

ANALYSIS OF COSTS AND EXPENSES

Comparison of consolidated costs

Item	Six months ended 30 June 2013		Six months ended 30 June 2012		Change in unit cost (%)	Change in costs proportion (percentage points)
	Unit cost (RMB/ton)	Percentage (%)	Unit cost (RMB/ton)	Percentage (%)		
Raw materials	27.72	17.26	27.70	15.08	0.07	2.18
Fuel and power	102.31	63.71	124.89	67.97	(18.08)	(4.26)
Depreciation expense	12.97	8.08	13.31	7.25	(2.55)	0.83
Labor cost and others	17.59	10.95	17.84	9.70	(1.35)	1.25
Total	**160.59**	**100.00**	**183.74**	**100.00**	**(12.60)**	**-**

During the Reporting Period, the Company recorded a consolidated cost of RMB160.59/ton, representing a year-on-year decrease of RMB23.15/ton or 12.60%. With regard to the cost elements, the cost of fuel and power decreased by RMB22.58/ton or 18.08% as compared to the same period of last year, which was mainly attributable to the decrease in coal price and improvement in the key indicators such as consumption of coal and electricity, while the depreciation expense decreased by 2.55% as compared to the same period of last year, which was mainly attributable to the further dilution of fixed cost due to increase in the sales volume.

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	1,209,471	962,856	5.21	4.74	0.47
Administrative expenses	1,000,616	889,886	4.31	4.38	(0.07)
Financial expenses (net)	532,110	450,114	2.29	2.22	0.07
Total	2,742,197	2,302,856	11.81	11.34	0.47

During the Reporting Period, driven by the increase in sales volume of the company, the Group's selling, administrative and financial expenses increased by RMB0.439 billion as compared to the corresponding period of last year. The above expenses in aggregate as a percentage of revenue from principal activities was 11.81%, which was substantially the same as compared to the corresponding period of last year.

Financial position

Asset and liability overview

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

Item	As at 30 June 2013 (RMB'000)	As at 31 December 2012 (RMB'000)	Changes as at the end of the Reporting Period to those as at the beginning of the year (%)
Fixed assets	49,677,337	49,296,262	0.77
Current and other assets	36,142,611	38,227,261	(5.45)
Total assets	85,819,948	87,523,523	(1.95)
Current liabilities	14,241,474	14,521,329	(1.93)
Non-current liabilities	19,423,115	21,826,104	(11.01)
Minority interests	2,329,521	2,274,885	2.40
Equity attributable to shareholders of the Company	49,825,838	48,901,205	1.89
Total liabilities and equity	**85,819,948**	**87,523,523**	(1.95)

As at 30 June 2013, the Group's total assets and liabilities prepared in accordance with the PRC Accounting Standards, amounted to RMB85,819.95 million and RMB33,664.59 million respectively, representing a decrease of 1.95% and a decrease of 7.38% respectively as compared to those at the end of the previous year. As at the 30 June 2013, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 39.23%, representing a decrease of 2.30 percentage points as compared to that at the end of the previous year. The Group maintained a sound financial structure with a net gearing ratio of 0.28 (end of last year: 0.30), which was calculated in accordance with the IFRS.

Please refer to Note 7 to the Financial Accounting Report (Unaudited) in this report for information of the contingent liabilities of the Group.

As at 30 June 2013, equity attributable to shareholders of the Company amounted to RMB49,825.84 million, representing an increase of 1.89% as compared to that at the end of the previous year; net assets per share attributable to shareholders of the Company was RMB9.40.

As at 30 June 2013, the Group's net fixed assets prepared in accordance with the PRC Accounting Standards amounted to RMB49,677.34 million, representing an increase of 0.77% as compared to that at the end of the previous year; the current liabilities amounted to RMB14,241.47 million, representing a decrease of 1.93% as compared to that at the end of the previous year.

As at 30 June 2013, the Group's total current assets prepared in accordance with the PRC Accounting Standards amounted to RMB21,145.33 million, with a current ratio of 1.48:1 (end of last year: 1.60:1). The Group' total current assets and total current liabilities prepared in accordance with the IFRSs amounted to RMB21,456.94 million and RMB14,241.47 million respectively.

Liquidity and Source of Funds

As at 30 June 2013, the borrowing balances of the Group are set out below:

	As at 30 June 2013 (RMB'000)	**As at 31 December 2012 (RMB'000)**
Bank loans	6,022,879	6,214, 268
Loans from non-financial institutions	2,049,091	2,056,364
Corporate bonds	15,500,000	15,500,000
Total	23,571,970	23,770, 632

Maturity analysis of bank loans and loans from non-financial institutions of the Group as at 30 June 2013 is as follows:

	As at 30 June 2013 (RMB'000)	**As at 31 December 2012 (RMB'000)**
Due within 1 year	4,716,037	2, 658, 426
Due after 1 year but within 2 years	1,082,850	2, 968, 873
Due after 2 years but within 5 years	1,933,083	2,343, 333
Due after 5 years	340,000	300,000
Total	8,071,970	8,270,632

As at 30 June 2013, the Group's balances of bank loans and borrowings from non-financial institutions amounted to RMB8,071.97 million, representing a decrease of RMB198.66 million as compared to that at the beginning of the year. The decrease was mainly attributable to the repayment of loans repayable by the Group during the Reporting Period.

The Group had outstanding corporate bonds in a principal amount of RMB15.5 billion, of which RMB12.0 billion would be due after 3 years but within 5 years, and RMB3.5 billion would be due after 5 years.

Analysis of Cash Flow

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

	Six months ended 30 June 2013 (RMB'000)	Six months ended 30 June 2012 (RMB'000)
Net cash flows generated from operating activities	6,354,890	6,732,739
Net cash flows generated from investment activities	(3,440,849)	(5,688,168)
Net cash flows generated from financing activities	(2,217,367)	(3,092,615)
Effect of exchange rate movement on cash and cash equivalents	(6,957)	-
Net increase/(decrease) in cash and cash equivalents	689,717	(2,048,044)
Balance of cash and cash equivalents at the beginning of the year	8,110,974	7,747,188
Balance of cash and cash equivalents at the end of the period	8,800,691	5,699,144

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB6,355 million, representing a decrease of RMB378 million as compared to the corresponding period of last year. Such decrease was mainly due to the increase in payment for the purchase of materials as compared to that of the corresponding period of last year.

During the Reporting Period, the Group's net cash outflows from investment activities decreased by RMB2,247 million as compared to that of last year, mainly due to the decrease in capital expenditure as compared to that of the corresponding period of last year.

During the Reporting Period, the Group's net cash outflows generated from financing activities decreased by RMB875 million as compared to that of last year, mainly due to the repayment of borrowings due and decrease in dividend payment as compared to that of the corresponding period of last year.

Capital Expenditure

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB3,378 million, which was mainly used in the investment in construction of cement and clinker production lines and the residual heat electricity generation projects as well as the expenditure for merger and acquisition of projects carried out in the previous years.

As at 30 June 2013, capital commitments in respect of the purchase of machinery and equipment for production that were committed but have not provided for in the accounts are set out as follows:

	As at 30 June 2013 (RMB'000)	As at 31 December 2012 (RMB'000)
Authorized and contracted for	2,944,169	2,205,920
Authorized but not contracted for	5,344,172	5,707,262
Total	**8,288,341**	**7,913,182**

EXCHANGE RATE RISK AND RELATED HEDGING BY FINANCIAL INSTRUMENTS

During the Reporting Period, the Group considers that the exchange rate risk exposed to and the related hedging by financial instruments used by the Group did not have a material change comparing with that having been disclosed in the annual report 2012 of the Group.

PROSPECT FOR THE SECOND HALF OF THE YEAR

In the second half of 2013, the PRC government will continue to maintain the sustainability and stability of its macro-economic policy and adopt a proactive fiscal policy and a prudent monetary policy to achieve stable economic growth. Competition in the cement market will remain relatively intense, yet the supply-and-demand condition will further improve. On the supply side, it has become an unquestionable fact that new production capacity showed a trend of decline. Meanwhile, with more stringent environmental regulations, efforts will be stepped up to phase out less advanced production capacities. The latest phase-out list released by the Ministry of Industry and Information Technology recently consists of 92.75 million tonnes of backward production capacities, which are scheduled to be completely demolished and closed by the end of 2013. On the demand side, with the implementation of the underlying policies by the central government to maintain stable growth, adjust economic structure, promote reforms and facilitate transformation and upgrade, investments in infrastructure will be increased, including acceleration in the construction of railways and highways in Central and West China. With the development of new urbanization process, the government will further expedite the redevelopment of shanty towns and enhance investments in the construction of urban infrastructures, such as underground pipeline networks, sewage treatment and rail traffic. Driven by the aforesaid positive factors, demand for cement will maintain a stable growth.

In the second half of the year, adhering to the operaion principle of "effortfully exploring market and effectively realizing production capacity", the Group will develop its marketing policies in light of the characteristics of each regional market and make timely adjustments based on the supply-and-demand conditions and seasonal characteristics in theregional markets, with an aim to increase market shares and fulfill the operating target of the year. In respect of internal management, the Company will continue to promote energy conservation and emission reduction, while reducing cost and improving efficiency, so as to strengthen the construction of internal control professional system. It will also optimize its management process, focus on cadres building and improve management efficiency, with an aim to enhance the core competitiveness of the Company. Meanwhile, pursuant to the project investment plan formulated at the beginning of the year, the Company will proactively progress the construction of undergoing projects to strive for an earlier commencement of operation. In respect of acquisitions and mergers, adhering to the established principles and standards, the Group will actively identify suitable projects to fine-tune market layout. For industrial chain extension, the Group will vigorously push ahead the construction of the aggregate project, exploring and seeking for the suitable opportunity and effective mode to enter the commodity concrete market.

VII. SIGNIFICANT EVENTS

(1) CORPORATE GOVERNANCE

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

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

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

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

(2) MATERIAL LITIGATION, ARBITRATION AND NEGATIVE MEDIA INQUIRY

During the Reporting Period, the Group was not involved in any material litigation, arbitration or negative media inquiry which might have a material impact on the Group's business operation and management, nor were any of the current Directors, Supervisors and members of senior management of the Company involved in any material litigation or arbitration.

(3) ACQUISITIONS OR DISPOSALS OF MATERIAL ASSETS

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

(4) CONNECTED (OR RELATED PARTY) TRANSACTIONS

During the Reporting Period, the Group entered into the following significant connected (or related party) transactions under the SSE Listing Rules and the HKSE Listing Rules:

1. Connected transactions or continuing connected transactions relating to daily operations

(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 the 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 trademarks to Conch Holdings.

During the Reporting Period, the Group did not pay any of the above fees to Conch Holdings. Pursuant to the SSE Listing Rules and the HKSE Listing Rules, no announcements were required to be made in respect of such connected transaction, nor was such connected transaction subject to the independent shareholders' approval requirements.

(2) Transaction with Wuhu Sanshan Conch Port Co., Ltd. ("Sanshan Port") – procurement of diesel oil

On 22 March 2013, as approved by the Board, the Company and Sanshan Port entered into a naphtha supply contract, pursuant to which Sanshan Port will supply to the Company's subsidiaries located in Anhui Province with diesel oil needed for production, with the purchase price being RMB320 million and the validity period of one year (i.e. from 1 April 2013 to 31 March 2014). Due to several market factors, the diesel oil market changes more quickly and the diesel oil price fluctuates frequently, therefore the Company purchased diesel oil from Sanshan Port at prices which will be adjusted in line with the market conditions, with monthly settlement price determined through negotiations between the parties mainly based on the prevailing market prices, provided that such settlement price shall not be higher than the purchase price offered to the Company by independent third parties. Payment would be settled on a monthly basis. During the Reporting Period, for the performance of the above-mentioned naphtha supply contract, the Group procured diesel oil from Sanshan Port for an amounted of RMB33,464,800. Coupled with the purchases made under the naphtha supply contracts entered into in previous years, the aggregate amount of purchases of diesel oil by the Group from Sanshan Port during the Reporting Period amounted to RMB58,285,100.

(3) Transaction with Sanshan Port – procurement of coal

On 22 March 2013, as approved by the Board, each of Wuhu Conch Cement Co., Ltd. ("Wuhu Conch") and Baimashan Cement Plant of Anhui Conch Cement Co., Ltd. ("Baimashan Cement Plant") entered into a coal sale and purchase contract respectively with Sanshan Port, pursuant to which Wuhu Conch and Baimashan Cement Plant will procure coal from Sanshan Port to meet production need, with the purchase prices being RMB13.96 million and RMB52.64 million respectively and the validity period for both contracts commencing from 1 April 2013 and expiring on 31 December 2013. The purchase prices were mainly determined based on the quality of the coal (i.e. calorific value) with reference to the prevailing market prices, provided that such prices shall not be higher than the prices offered to Wuhu Conch or Baimashan Cement Plant by independent third parties for the same type of coal in the same period. Payment would be settled on a monthly basis. During the Reporting Period, the Group did not procure any coal from Sanshan Port, so the transaction amount was RMB nil.

(4) Transaction with Sanshan Port – Sale of commodity clinker

On 22 March 2013, as approved by the Board, Baimashan Cement Plant and Sanshan Port entered into a clinker sale and purchase contract, with the selling price being RMB67 million and the validity period commencing from 1 April 2013 and expiring on 31 December 2013. The price at which Baimashan Cement Plant sold clinker to Sanshan Port was determined mainly based on the market prices for the same period and adjusted in line with the market conditions, with reference to the quoted prices offered by Baimashan Cement Plant and enjoying the same preferential policy of "discount price for large quantity" of Baimashan Cement Plant as the independent third-party customers. Payment would be advanced prior to delivery. During the Reporting Period, for the performance of the above-mentioned clinker sale and purchase contract, the Group sold commodity clinker to Sanshan Port for an amount of RMB14,550,000.

(5) Transaction with YangZhou Haichang Port Industrial Co., Ltd. ("Haichang Port") – coal transfer services

On 22 March 2013, as approved by the Board, Shanghai Conch Logistic Co., Ltd. (a wholly-owned subsidiary of the Company) and Haichang Port entered into a port operation contract, pursuant to which Haichang Port will provide coal transfer services to the subsidiaries of the Company located along the Yangtze River, with the contract sum being RMB110 million and the validity period of one year (i.e. from 1 April 2013 to 31 March 2014). The fees charged by Haichang Port for its coal transfer services provided to the Group were determined mainly with reference to the prevailing market prices in the same period and the fees charged by other parts which were independent third parties for the same kind of services provided to the Group, provided that such fees shall not be higher than the prices offered by Haichang Port to its independent customers. Payment would be settled in respect of each vessel of coals within 30 days after the coals are transferred. During the Reporting Period, for the performance of the above-mentioned port operation contract, the transaction amount paid by the Group to Haichang Port amounted to RMB22,100,400. Coupled with the port operation contracts entered into in previous years, the aggregate transaction amount paid by the Group to Haichang Port during the Reporting Period amounted to RMB50,379,600.

For further details regarding the connected transactions as set out in item (2)to (5) above, please refer to the Company's announcement dated 22 March 2013 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 23 March 2013 and published on the SSE website and Shanghai Securities Journal. The continuing connected transactions as set out in Item (2) to (5) above are not subject to the independent shareholders' approval requirements.

(6) Transaction with Yingde Longshan Cement Co., Ltd. ("Longshan Cement") – procurement of clinker

On 28 May 2013, as approved by the Board, each of 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 supplemental contract to make adjustments to the procurement quantity of clinker and transaction amounts for the years of 2013 and 2014 as prescribed under the cement and clinker sale and purchase contract entered on 15 May 2012. Pursuant to the supplemental contracts, the maximum amount of clinker to be procured by Jiangmen Conch from Longshan Cement for each of 2013 and 2014 was adjusted from 500,000 tonnes/year to 600,000 tonnes/year and the annual transaction cap was adjusted from RMB142.5 million to RMB171 million, while the maximum amount of clinker to be procured by Foshan Conch from Longshan Cement for each of 2013 and 2014 was adjusted from 300,000 tonnes/year to 500,000 tonnes/year and the annual transaction cap was adjusted from RMB85.5 million to RMB142.5 million. The purchase price of clinker was determined, with reference to the market price, by Longshan Cement with Jiangmen Conch and Foshan Conch respectively after negotiations. Such purchase price shall not be higher than that offered to other independent customers by Longshan Cement.

During the Reporting Period, Jiangmen Conch and Foshan Conch mainly considered the cost, product quality, market demand and the price of similar products offered by other third parties in the same area when determining whether it would procure clinker from Longshan Cement or other independent suppliers. The purchase prices would be settled on a monthly basis. During the Reporting Period, Jiangmen Conch procured clinker from Longshan Cement for an amount of RMB48,120,300, which did not exceed the annual transaction cap of RMB171 million as prescribed under the said supplemental contract; and Foshan Conch procured clinker from Longshan Cement for an amount of RMB47,299,200, which did not exceed the annual transaction cap of RMB142.5 million as prescribed under the said supplemental contract.

For further details, please refer to the Company's announcements dated 15 May 2012 and 28 May 2013 respectively published on the website of the Stock Exchange and the website of the Company, and the Company's announcements dated 16 May 2012 and 29 May 2013 respectively published on the SSE website and Shanghai Securities Journal. These continuing connected transactions are not subject to the independent shareholders' approval requirements.

(7) Transaction with Longshan Cement – mutual procurement of spare parts and production ancillary materials

On 15 May 2012, as approved by the Board, Prosperity Conch Cement Co., Ltd. ("Prosperity Conch") (a subsidiary of the Company) and Longshan Cement entered into a spare parts and production ancillary materials procurement contract in relation to the mutual procurement of spare parts and production ancillary materials between Prosperity Conch and Longshan Cement, for a purchase price not more than RMB20.5 million per annum. The term of the said contract commenced from 15 May 2012 and will expire on 31 December 2014. The prices of spare parts and production ancillary materials mutually procured between Prosperity Conch and Longshan Cement were based on the prices they may procure from their other suppliers. Both parties settled the payments by their own funds on a monthly basis.

During the Reporting Period, Prosperity Conch and Longshan Cement mutually procured spare parts and production ancillary materials at an amount of RMB5,265,500, which did not exceed the annual transaction cap as prescribed under the said spare parts and production ancillary materials procurement contract.

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

(8) Transaction with Longshan Cement – mutual procurement of limestone

On 28 May 2013, as approved by the Board, Prosperity Conch (a subsidiary of the Company) and Longshan Cement entered into a limestone procurement contract in relation to the mutual procurement of limestone between Prosperity Conch and Longshan Cement. The term of the said contract commenced from 1 June 2013 and will expire on 31 December 2014. The transaction cap for the mutual procurement of limestone between both parties for the year of 2013 and 2014 is expected to be RMB49.75 million and RMB81.6 million respectively. The prices of limestone mutually procured between both parties were determined after taking consideration of several factors such as the quality and grades of limestone offered by other suppliers as well as the production costs and relevant tax incurred by each other. The purchase prices would be settled on a monthly basis.

During the Reporting Period, the transaction amount of mutual procurement of limestone between Prosperity Conch and Longshan Cement amounted to RMB3,129,200.

For further details, please refer to the Company's announcement dated 28 May 2013 and published on the website of the Stock Exchange and the website of the Company, and the

Company's announcement dated 29 May 2013 and published on the SSE website and Shanghai Securities Journal. These continuing connected transactions are not subject to the independent shareholders' approval requirements.

(9) Transaction with Longshan Cement – sale of fire-resistant tiles

On 28 May 2013, as approved by the Board, Anhui Conch Siam Refractory Material Co., Ltd. ("Refractory Material") (a subsidiary of the Company) and Longshan Cement entered into a sale and purchase contract in relation to the sale of fire-resistant tiles to Longshan Cement. The term of the said contract commenced form 28 May 2013 and will expire on 31 December 2014. Pursuant to the sale and purchase contract, the quantity of the fire-resistant tiles to be procured by Longshan Cement from Refractory Material will be 1,500 tonnes per annum with an expected annual purchase price of not more than RMB8 million, provided that the final transaction volume and settlement payment will be based on the actual take-up by Longshan Cement. The selling price of the fire-resistant tiles was determined through negotiations between the parties in accordance with market principles, provided that such price shall not be lower than that offered by Refractory Material to the subsidiaries of the Company located in Guangdong Province. The payment would be settled on cargo-by-cargo basis, i.e. payment for each cargo of goods would be made upon delivery. As at the end of the Reporting Period, the above transaction has not proceeded.

For further details, please refer to the Company's announcement dated 28 May 2013 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 29 May 2013 and published on the SSE website and Shanghai Securities Journal. These continuing connected transactions are not subject to the independent shareholders' approval requirements.

2. Residual heat electricity generation projects

On 28 May 2013, 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 had agreed to provide supply and design services for a whole set of equipment for the construction of residual heat electricity generation projects to the relevant subsidiaries of the Company. The aggregate contract sum amounted to RMB219.75 million. The price as stipulated in the aforesaid equipment supply and design contract was mainly determined through negotiations between the parties based on the scale of such projects, various technical specifications, the prevailing market prices of such services and the prices charged by Conch Kawasaki Engineering against other customers, provided that such price shall not be higher than that offered by Conch Kawasaki Engineering to other independent customers.

During the Reporting Period, in the context of the performance of the above equipment supply and design contract (and only such contract), the transaction amount paid by the Group to Conch Kawasaki Engineering amounted to RMB3,138,100. Coupled with the performance of other similar contracts entered into in previous years, the aggregate amount paid by the Group to Conch Kawasaki Engineering during the Reporting Period amounted to RMB283,381,100.

For further details, please refer to the Company's announcement dated 28 May 2013 and published on the website of the Stock Exchange and the website of the Company respectively, and the Company's announcement dated 29 May 2013 and published on the SSE website and Shanghai Securities Journal. Such connected transactions are not subject to the independent shareholders' approval requirements.

3. Purchase of milling equipment

On 28 May 2013, as approved by the Board, the Company and Anhui Conch Kawasaki Energy

Conservation Equipment Manufacturing Co., Ltd. ("Conch Kawasaki Energy Conservation") entered into a sales and purchase contract on CK milling equipment, pursuant to which the Company agreed to purchase the CK raw material milling equipment from Conch Kawasaki Energy Conservation, which would be installed at the cement and clinker production lines of five subsidiaries of the Company. The total contract sum was RMB110 million. The price stipulated in the aforesaid sales and purchase contract on CK milling equipment was determined through negotiations between the parties on the basis of the costs of the equipment and the prevailing market prices of such equipment, and also with reference to the fees charged by Conch Kawasaki Energy Conservation against other customers, provided that such price shall not be higher than that offered by Conch Kawasaki Energy Conservation to other independent customers.

During the Reporting Period, for the performance of the above-mentioned sales and purchase contract on CK milling equipment (and only such contract), the transaction amount paid by the Group to Conch Kawasaki Energy Conservation amounted to RMB nil. Coupled with the performance of other similar contracts entered into in previous years, the aggregate amount paid to Conch Kawasaki Energy Conservation by the Group during the Reporting Period amounted to RMB21,530,800.

For further details, please refer to the Company's announcement dated 28 May 2013 and published on the website of the Stock Exchange and the website of the Company, and the Company's announcement dated 29 May 2013 and published on the SSE website and Shanghai Securities Journal. Such connected transactions are not subject to the shareholders' approval requirements.

4. Addition to construction contribution to Conch Tower

On 19 February 2013, as approved by the Board, the Company, Wuhu Conch Venture Property Company Limited (the "Conch Venture Property") and Wuhu Conch International Grand Hotel Co., Ltd. (the "Conch Hotel") entered into the Supplementary Agreement to the Conch Tower Joint Construction Agreement (the "Supplementary Agreement"), which recorded the revision of the total investment amount of and the capital contribution proportion of the three parties for Conch Tower as stipulated in the Conch Tower Joint Construction Agreement (the "Joint Construction Agreement") entered into on 13 October 2009.

Pursuant to the Joint Construction Agreement, the original total investment amount was expected to be RMB260 million (excluding decoration), amongst which, (i) Conch Venture Property would contribute RMB26 million, by way of provision of state-owned land use right for the Project, representing 10% of the total investment amount; (ii) the Company would contribute approximately RMB52 million in cash, representing 20% of the total investment amount; and (iii) Conch Hotel would contribute approximately RMB182 million (about HK$205.66 million) in cash, representing 70% of the total investment amount.

There is an increase in the volume of construction and installation works and in the investment of equipment of Conch Tower's main structure, as well as an increase of secondary construction works due to the adjustment of design planning. These combined effects have led to an increase in total investment amount of Conch Tower. The three parties reached new agreements regarding the total investment amount of and their capital contribution proportion for Conch Tower, and entered into the Supplementary Agreement. According to the Supplementary Agreement, the total investment amount of the Conch Tower has been adjusted from RMB260 million to RMB312 million. On the basis of the designated functions of different sections of the building, as well as the actual gross floor area of each storey, the capital contribution proportion of the three parties has also been adjusted accordingly: (i) Conch Venture Property will still contribute RMB 26 million by way of provision of state-owned land use right for the Project, representing 8.27% of the total investment amount; (ii) the Company will contribute approximately RMB90.5 million in cash, representing 29.07% of total investment amount; and (iii) Conch Hotel will contribute approximately RMB195.5 million in cash, representing 62.66% of the total investment amount. The three parties will share and be entitled to the ownership of such portions of site area and gross floor area of the property thereof in proportion to their respective capital contributions in the Project.

As at the end of the Reporting Period, the Company has made capital contribution of RMB57,273,900 for the construction of Coach Tower, of which RMB6,053,700 was paid during the Reporting Period.

For further details, please refer to the Company's announcements dated 13 October 2009 and 19 February 2013 and published on the website of the Stock Exchange and the website of the Company, the Company's announcement dated 14 October 2009 and published on the SSE website and Shanghai Securities Journal, and the Company's announcement dated 20 February 2013 and published on the SSE website. Such connected transaction is not subject to the shareholders' approval requirements.

(5) MATERIAL CONTRACTS

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

2. Guarantees

During the Reporting Period, the external guarantees provided by the Company relating to bank loans of its majority-owned subsidiaries, and all the guarantees were approved by the Board of the Company. During the Reporting Period, the guarantees provided by the Company for its majority-owned subsidiaries amounted to RMB1,877 million, all being guarantees for collateral liabilities, the details of which are as follows:

No	Guaranteed company	Shareholding proportion of the Company	Amount guaranteed by the Company (RMB'000)	Guaranteed period	Date of guarantee contract	Use of loans	Name of creditor
1	Zunyi Conch Panjiang Cement Co., Ltd. ("Zunyi Conch")	50%	100,000	nine months	2013.03.28	working capital	China Minsheng Banking Corp. Ltd., Shanghai Branch
2	Guiding Conch	50%	100,000	nine months	2013.03.28	working capital	China Minsheng Banking Corp. Ltd., Shanghai Branch
3	Guigyang Conch Panjiang Cement Co., Ltd. ("Guiyang Conch")	50%	75,000	ten months	2013.03.05	working capital	China Minsheng Banking Corp. Ltd., Shanghai Branch
4	Guizhou Liukuangruian Cement Co., Ltd. ("Liukuangruian")	51%	102,000	three years	2013.03.12	project construction	China Minsheng Banking Corp. Ltd., Shanghai Branch
5	PT Conch	71.25%	1,500,000	ten years	2013.05.28	project construction	The Export-Import Bank of China
Total			**1,877,000**	**-**	**-**	**-**	**-**

Note: The Company provided guarantees for Zunyi Conch, Guiding Conch, Guiyang Conch and Liukuangruian on a pro rata basis in accordance with its shareholding proportion; and it provided full guarantee for the loans of PT Conch in an amount of RMB1,500 million, for which Changxing Materials (International) Co., Ltd. (a shareholder holding a total of 28.75% interests in PT Conch) provided counter-guarantee to the Company on a pro rata basis in accordance with its shareholding proportion.

As at 30 June 2013, the balance of guarantees provided by the Company for its majority-owned subsidiaries amounted to RMB4,470.32 million, representing 9.28% 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 latest audited financial statements.

As at 30 June 2013, Ningguo Cement Plant and Baimashan Cement Plant of Anhui Conch Cement Company Limited (being branch companies of the Company) pledged their assets with a book value of approximately RMB523 million to International Finance Corporation as security for their long-term loan in the sum of RMB650 million.

As at 31 December 2013, save for the guarantees and pledges of assets as disclosed above, the Group did not provide any other guarantees or pledges, nor did the Group have any other significant contingent liabilities.

(6) COMMITMENTS

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

2. Commitment by the Company: On 12 June 2012, the Company, Wuhu Conch and Xinjiang Qingsong Building Materials and Chemicals (Group) Co., Ltd. ("Qingsong Building Materials and Chemicals") entered into the Share Subscription Agreement, pursuant to which, the Company and Wuhu Conch participated in the private placement of Qingsong Building Materials and Chemicals to subscribe for 107,800,000 shares and 30,000,000 shares of Qingsong Building Materials and Chemicals respectively, representing 15.64% and 4.35% of its total shares respectively. According to the Share Subscription Agreement, the aforesaid shares held by the Company and Wuhu Conch are subject to a lock-up period of 12 months from the date of subscription (ie. 19 June 2012). During the Reporting Period, the Company and Wuhu Conch did not transfer any of their shares in Qingsong Building Materials and Chemicals.

(7) AUDIT COMMITTEE

An audit committee ("Audit Committee") has been 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. The financial results in this announcement have been reviewed by the Audit Committee.

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

During the Reporting Period, none of the Company, its Directors, Supervisors, senior management, controlling shareholder and de facto controller were subject to any penalties by the relevant authorities.

(9) THE BOARD DID NOT RECOMMEND THE PAYMENT OF INTERIM DIVIDEND OR THE TRANSFER OF SURPLUS RESERVE TO SHARE CAPITAL FOR THE REPORTING PERIOD

VIII. FINANCIAL INFORMATION

Financial information extracted from the unaudited consolidated balance sheet of the Group at 30 June 2013 and unaudited consolidated income statement and consolidated statement of comprehensive income of the Group for the six months ended 30 June 2013 together with the comparative figures at 30 June 2012, prepared in accordance with the IFRS and presented on the basis described in Note 4(1) below are as follows:

1. Consolidated income statement

	Note	Six months ended 30 June 2013 RMB'000	Six months ended 30 June 2012 RMB'000
Revenue	4(3)&(4)	23,587,088	20,559,155
Cost of sales and services rendered		(17,023,072)	(15,103,389)
Gross profit		6,564,016	5,455,766
Other revenue	4(5)	501,237	600,569
Other net income	4(5)	25,505	1,878
Selling and marketing costs		(1,209,471)	(962,856)
Administrative expenses		(1,163,902)	(891,777)
Profit from operations		4,717,385	4,203,580
Finance costs	4(6)(a)	(594,398)	(531,770)
Share of losses of associates		(23,483)	(1,819)
Share of losses of joint ventures		(18,933)	(6,015)
Profit before taxation	4(6)	4,080,571	3,663,976
Income tax	4(7)	(912,014)	(678,194)
Profit for the period		3,168,557	2,985,782
Attributable to:			
Equity shareholders of the Company		3,058,517	2,932,979
Non-controlling interests		110,040	52,803
Profit for the period		3,168,557	2,985,782
Earnings per share	4(9)		
Basic		RMB0.58	RMB0.55
Diluted		RMB0.58	RMB0.55

2. Consolidated statement of comprehensive income

	Note	Six months ended 30 June 2013 RMB'000	2012 RMB'000
Profit for the period		3,168,557	2,985,782
Other comprehensive income for the period (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		(7,062)	-
Available-for-sale equity securities: net movement in fair value reserve	4(8)	(859,122)	(380,466)
Other comprehensive income for the period		(866,184)	(380,466)
Total comprehensive income for the period		2,302,373	2,605,316
Attributable to:			
Equity shareholders of the Company		2,194,358	2,552,513
Non-controlling interests		108,015	52,803
Total comprehensive income for the period		2,302,373	2,605,316

3. Consolidated balance sheet

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Non-current assets			
Fixed assets			
Investment property		33,739	-
Other property, plant and equipment		53,618,005	52,607,328
Lease prepayments		3,534,183	3,291,595
		57,185,927	55,898,923
Intangible assets		1,989,900	1,901,155
Goodwill		212,389	212,389
Interest in associates		1,931,844	1,868,374
Interest in joint ventures		239,082	248,912
Loans and receivables		200,400	314,449
Available-for-sale equity securities		2,233,597	3,297,305
Deferred tax assets		369,873	160,441
		64,363,012	63,901,948
Current assets			
Inventories		4,053,921	4,038,538
Other investments		22,454	106,324
Trade receivables		5,461,078	8,389,079
Prepayments and other receivables		2,159,474	2,234,634
Amounts due from related parties		372,512	522,330
Tax recoverable		138,733	96,965
Restricted cash deposits		126,173	108,731
Bank deposits with maturity over three months		321,900	14,000
Cash and cash equivalents		8,800,691	8,110,974
		21,456,936	23,621,575

3. Consolidated balance sheet - continued

	Note	At 30 June 2013 RMB’000	At 31 December 2012 RMB’000
Current liabilities			
Trade payables		3,701,098	5,133,852
Other payables and accruals		4,911,494	5,705,945
Bank loans and other borrowings		4,716,037	2,658,427
Amounts due to related parties		381,052	270,906
Current portion of long-term payables		53,128	54,152
Obligations under finance leases		57,996	57,996
Current taxation		420,660	640,045
		14,241,465	14,521,323
Net current assets		7,215,471	9,100,252
Total assets less current liabilities		71,578,483	73,002,200
Non-current liabilities			
Bank loans and other borrowings		18,826,974	21,079,634
Long-term payables		353,374	354,936
Deferred income		416,939	417,667
Deferred tax liabilities		200,221	346,842
		19,797,508	22,199,079
NET ASSETS		51,780,975	50,803,121
CAPITAL AND RESERVES			
Share capital		5,299,303	5,299,303
Reserves		44,161,490	43,238,237
Total equity attributable to equity shareholders of the Company		49,460,793	48,537,540
Non-controlling interests		2,320,182	2,265,581
TOTAL EQUITY		51,780,975	50,803,121

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 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 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 2012 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 2012 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 2012 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 2012 are available at the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their audit report dated 22 March 2013.

(2) Changes in accounting policies

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

- Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 11, *Joint arrangements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- *Annual Improvements to IFRSs 2009-2011 Cycle*
- Amendments to IFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The adoption of the abovementioned amendments does not have an impact on the Group's 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 five reportable segments based on the region in which the Group’s business operates: East China, Central China, South China, West China and Overseas. All segments are primarily engaged in manufacture and sale of clinkers and cement products. No operating segments have been aggregated to form the reportable segments.

(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.

(3) Segment reporting (continued)

(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 2013

	East China	Central China	South China	West China	Overseas	Subtotal	Reconciling items (note b)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	6,645,964	8,681,446	4,096,590	4,163,088	-	23,587,088	-	23,587,088
Inter-segment revenue	579,280	4,263,752	32,460	10,968	-	4,886,460	(4,886,460)	-
Reportable segment revenue	**7,225,244**	**12,945,198**	**4,129,050**	**4,174,056**	**-**	**28,473,548**	**(4,886,460)**	**23,587,088**
Reportable segment profit/(loss)	**390,729**	**4,176,106**	**744,153**	**610,267**	**(1,372)**	**5,919,883**	**(1,839,312)**	**4,080,571**
Interest income	3,911	255,182	2,756	3,477	-	265,326	(203,269)	62,057
Interest expense	67,920	510,230	68,092	117,807	-	764,049	(169,651)	594,398
Depreciation and amortisation for the period	193,345	875,115	268,786	413,337	1,105	1,751,688	-	1,751,688
Impairment of plants and equipment	-	4,598	-	156,089	-	160,687	-	160,687
Additions to non-current segment assets during the period	175,924	692,866	413,898	1,536,440	211,116	3,030,244	(33,618)	2,996,626
At 30 June 2013								
Reportable segment assets (including investment in associates and joint ventures)	**12,420,308**	**63,471,980**	**14,802,622**	**21,262,617**	**345,166**	**112,302,693**	**(26,482,745)**	**85,819,948**
Reportable segment liabilities	**8,910,343**	**17,905,002**	**7,339,513**	**13,427,156**	**190,002**	**47,772,016**	**(13,733,043)**	**34,038,973**

(3) Segment reporting (continued)

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

For the six months ended 30 June 2012

	East China	Central China	South China	West China	Overseas	Subtotal	Reconciling items (note b)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	6,263,986	7,448,880	3,894,405	2,951,884	-	20,559,155	-	20,559,155
Inter-segment revenue	584,455	4,295,031	50,934	6,403	-	4,936,823	(4,936,823)	-
Reportable segment revenue	**6,848,441**	**11,743,911**	**3,945,339**	**2,958,287**	**-**	**25,495,978**	**(4,936,823)**	**20,559,155**
Reportable segment profit/(loss)	**509,212**	**5,334,353**	**629,410**	**204,804**	**(2,753)**	**6,675,026**	**(3,011,050)**	**3,663,976**
Interest income	5,019	187,431	2,346	6,464	11	201,271	(115,741)	85,530
Interest expense	(85,121)	(398,236)	(67,276)	(96,878)	-	(647,511)	115,741	(531,770)
Depreciation and amortisation for the period	(182,883)	(784,874)	(241,615)	(336,004)	(13)	(1,545,389)	-	(1,545,389)
Additions to non-current segment assets during the period	371,450	1,738,843	965,483	1,973,464	8,983	5,058,223	-	5,058,223
At 31 December 2012								
Reportable segment assets (including investment in associates and joint ventures)	**10,669,257**	**72,824,447**	**11,543,664**	**19,603,989**	**293,008**	**114,934,365**	**(27,410,842)**	**87,523,523**
	80,837,033	**14,641,646**	**19,235,885**	**143,279**	**127,399,164**	**(45,510,923)**	**81,888,241**	
Reportable segment liabilities	**6,226,392**	**29,982,356**	**3,364,410**	**12,108,718**	**128,633**	**51,810,509**	**(15,090,107)**	**36,720,402**
	7,518,884	**12,175,374**	**3,592**	**67,937,291**	**(33,309,452)**	**34,627,839**		

(3) Segment reporting (continued)

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

	Six months ended 30 June 2013 RMB'000	2012 RMB'000
Revenue		
Elimination of inter-segment revenue	(4,886,460)	(4,936,823)
Profit		
Elimination of inter-segment profits	(1,859,061)	(3,036,476)
Differences between PRC accounting standards and IFRS*	19,749	25,426
	(1,839,312)	(3,011,050)

	At 30 June 2013 RMB '000	At 31 December 2012 RMB'000
Assets		
Elimination of inter-segment balances	(26,482,745)	(27,410,842)
Liabilities		
Elimination of inter-segment balances	(14,107,437)	(15,463,075)
Differences between PRC accounting standards and IFRS*	374,394	372,968
	(13,733,043)	(15,090,107)

* Differences between PRC accounting standards and IFRS:

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

(3) Segment reporting (continued)

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, 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 from external customers		Specified non-current assets	
	Six months ended		At	At
	30 June 2013	30 June 2012	30 June 2013	31 December 2012
	RMB'000	RMB'000	RMB'000	RMB'000
The People's Republic of China ("the PRC")	22,904,320	19,903,560	61,285,609	60,488,688
Others	682,768	655,595	279,691	70,399
	23,587,088	20,559,155	61,565,300	60,559,087

(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 sales volume in the first half of the year.

(5) Other revenue and net income

(a) Other revenue

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Subsidy income	416,427	514,558
Interest income	62,057	85,530
Dividend income from listed securities	22,753	481
	501,237	600,569

(b) Other net income

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Net unrealised gains/(losses) on trading securities	10,167	(7,031)
Change in fair value of derivatives	3,152	(2,318)
Net gain on disposal of fixed assets	5,961	8,269
Exchange gains/(losses)	2,831	(1,962)
Others	3,394	4,920
	25,505	1,878

(6) Profit before taxation

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

(a) Finance costs:

	Six months ended 30 June 2013 RMB'000	2012 RMB'000
Finance charge on obligations under finance leases	1,332	2,543
Interest on bank loans and other borrowings	620,123	598,641
Less: interest expense capitalised into construction-in-progress	(27,057)	(69,414)
	594,398	531,770

(b) Other items:

	Six months ended 30 June 2013 RMB'000	2012 RMB'000
Depreciation	1,668,053	1,469,520
Amortisation of interests in leasehold land held for own use under operating leases	39,105	25,140
Other amortisation	44,530	50,729
Impairment of plants and equipment	160,687	-
Staff costs	1,189,822	1,050,099

(7) Income tax

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current tax-PRC Corporate Income Tax		
Provision for the period	981,693	720,596
Deferred tax		
Origination and reversal of temporary differences	(69,679)	(42,402)
	912,014	678,194

No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2013 and 2012 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

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

Beiliu Conch Cement Co., Ltd. 北流海螺水泥有限責任公司 (Note i)	15%
Xingye Kuiyang Conch Cement Co., Ltd. 興業葵陽海螺水泥有限責任公司 (Note i)	15%
Fusui Xinning Conch Cement Co., Ltd. 扶綏新寧海螺水泥有限責任公司 (Note i)	15%
Xing'an Conch Cement Co., Ltd. 興安海螺水泥有限責任公司 (Note i)	15%
Pingliang Conch Cement Co., Ltd. 平涼海螺水泥有限責任公司 (Note i)	15%
Dazhou Conch Cement Co., Ltd. 達州海螺水泥有限責任公司 (Note i)	15%
Guangyuan Conch Cement Co., Ltd. 廣元海螺水泥有限責任公司 (Note i)	15%
Chongqing Conch Cement Co., Ltd. 重慶海螺水泥有限責任公司 (Note i)	15%
Liquan Conch Cement Co., Ltd. 禮泉海螺水泥有限責任公司 (Note i)	15%
Guigyang Conch Panjiang Cement Co., Ltd. 貴陽海螺盤江水泥有限責任公司 (Note i)	15%
Guiding Conch Panjiang Cement Co., Ltd. 貴定海螺盤江水泥有限責任公司 (Note i)	15%
Zunyi Conch Panjiang Cement Co., Ltd. 遵義海螺盤江水泥有限責任公司 (Note i)	15%
Qianyang Conch Cement Co., Ltd. 千陽海螺水泥有限責任公司 (Note i)	15%

(7) Income tax (continued)

Baoji Zhongxi Fenghuangshan Cement Co., Ltd. 寶雞眾喜鳳凰山水泥有限公司 (Note i)	15%
Baoji Zhongxi Jinlinghe Cement Co., Ltd. 寶雞市眾喜金陵河水泥有限公司 (Note i)	15%
Guangxi Sihegongmao Co., Ltd. 廣西四合工貿有限責任公司 (Note i)	15%
Longling Conch Cement Co., Ltd. 龍陵海螺水泥有限責任公司 (Note i)	15%
Hami Hongyi Construction Co., Ltd. 哈密弘毅建材有限責任公司 (Note ii)	0%

Note:

(i) Pursuant to Notice No.12 issued by State Administration of Taxation on 6 April 2012 and relevant local tax authorities' notices, the above 17 companies were entitled to 15% preferential income tax rate as qualifying companies located in western areas in the PRC. Five of above companies, Qianyang Conch, Fenghuangshan, Jinlinghe, Sihegongmao and Longling Conch were entitled to 15% preferential income tax rate, effective from 1 January 2012 to 31 December 2020. The remaining 12 companies were entitled to 15% preferential income tax rate, effective from 1 January 2011 to 31 December 2020.

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

(8) Other comprehensive income

Available-for-sale equity securities：

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Changes in fair value recognised during the period (after tax)	(859,122)	(380,466)
Net movement in the fair value reserve during the period recognised in other comprehensive income	(859,122)	(380,466)

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 2013 of RMB 3,058,517,000 (six months ended 30 June 2012: RMB2,932,979,000) and the weighted average number of shares in issue during the six months ended 30 June 2013 of 5,299,303,000 (six months ended 30 June 2012: 5,299,303,000).

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the six months ended 30 June 2013 and 2012.

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

Wuhu City, Anhui Province, the PRC
15 August 2013

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 Zhou Bo as executive Directors, and (ii) Mr Fang Junwen, Mr Wong Kun Kau and Mr Tai Kwok Leung as independent non-executive Directors.