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 2007

- Revenue for the six months ended 30 June 2007, prepared in accordance with International Financial Reporting Standards ("IFRS"), was approximately RMB8,223.87 million, representing an increase of approximately 22.73% over the same period last year.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2007, prepared in accordance with IFRS, was RMB897.11 million, representing an increase of approximately 52.08% over the same period last year.
- Basic earnings per share for the six months ended 30 June 2007, prepared in accordance with IFRS, were RMB0.65.

## I. BASIC INFORMATION OF THE COMPANY

### 1. Basic information

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

### 2. Contact persons and details

| | Secretary to the board ("Board") of directors ("Directors") | Securities affairs representative |
|---|---|---|

| | | |
|---|---|---|
| Name | Zhang Mingjing | Yang Kaifa |
| Address | 209 Beijing East Road, Wuhu City, Anhui Province, the PRC | 209 Beijing East Road, Wuhu City, Anhui Province, the PRC |
| Telephone | (86-553) 3118688 | (86-553) 3114546 |
| Fascimile | (86-553) 3114550 | (86-553) 3114550 |
| E-mail address | dms@conch.cn | dms@conch.cn |

## II. ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

Note: During the Reporting Period, the issue of A shares by the Company to Anhui Conch Holdings Company Limited ("Conch Holdings") as the consideration for the acquisition of its 100% equity interests in Anhui Ningchang Plastic Package Co., Ltd. ("Ningchang Company"), 75% equity interests in Wuhu Conch Plastic Products Co., Ltd. ("Wuhu Plastic") and 100% equity interests in Shanghai Conch Construction Material International Trading Company Limited ("Conch International Trading") (together the "Three Companies") was completed. Such acquisition constituted a merger of companies under common control. According to the stipulations under the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the PRC on 15 February 2006, the Company restated the figures for the balance sheet as at 31 December 2006 and for the period from January to June 2006. The comparative figures referred to in the following analysis are the restated data.

(Unless otherwise stated, all currency amounts referred to in this announcement are expressed in Renminbi ("RMB"), the lawful currency of the PRC)

### 1. Financial summary prepared in accordance with the International Financial Reporting Standards (''IFRS'')

(RMB'000)

| Items | January to June 2007 | January to June 2006 | Increase/ (decrease) as compared with the same period of the previous year (%) |
|---|---|---|---|
| Revenue | 8,223,867 | 6,700,574 | 22.73 |
| Net profit attributable to equity shareholders of the Company | 897,109 | 589,912 | 52.08 |

| | 30 June 2007 | 31 December 2006 | Increase/ (decrease) (%) |
|---|---|---|---|
| Total assets | 25,596,478 | 22,449,735 | 14.02 |
| Total liabilities | 16,071,632 | 13,863,748 | 15.93 |

## 2. Accounting data prepared in accordance with the accounting principles generally accepted in the PRC (“PRC Accounting Standards”)

(1) Major financial data and indices (RMB’000)

| Items | At the end of the reporting period (“Reporting Period”) | At the end of the previous financial year Note 1 | Increase/ (decrease) as compared with the same period of the previous year (%) |
|---|---|---|---|
| Total assets | 25,660,649 | 22,855,815 | 12.27 |
| Total equity attributable to equity shareholders of the Company | 9, 351,209 | 7,317,480 | 27.79 |
| Net assets attributable to equity shareholders of the Company per share (RMB) | 6.80 | 5.72 | 18.88 |
| Adjusted net assets attributable to equity shareholders of the Company per share (RMB) | 6.80 | 5.72 | 18.88 |

| Items | Reporting Period (January to June 2007) | Same period of previous year Note 1 | Increase/ (decrease) as compared with the same period of the previous year (%) |
|---|---|---|---|
| Operating profit | 1,227,567 | 913,101 | 34.44 |
| Profit before taxation | 1,396,955 | 1,050,370 | 33.00 |
| Profit attributable to equity shareholders of the Company | 881,116 | 585,891 | 50.39 |
| Net profit after extraordinary items | 762,832 | 457,295 | 66.81 |
| Basic earnings per share (RMB) | 0.64 | 0.46 | 39.13 |
| Net cash flow from operating activities | 738,155 | 894,228 | (17.45) |
| Net cash flow from operating activities per share (RMB) | 0. 54 | 0.70 | (23.22) |
| Return on net assets attributable to the parent company (diluted) | 9.42% | 9.17% | Increase by 0.25 percentage point s |

(2) After deduction of extraordinary gains/(losses) and amounts for the Reporting Period are as follows:

(RMB’000)

| Items | Amount |
|---|---|
| Losses from disposal of long-term equity investment and fixed assets | (600) |
| Government subsidy income | 100,788 |

| | |
|---|---|
| Pre-acquisition profit attributable by the subsidiaries acquired under common control during the period | 42,353 |
| Effect of income tax on extraordinary gains/(losses) | (40,126) |
| Other net extraordinary gains | 21,384 |
| Effect of extraordinary gains/(losses) on minority interests | (5,515) |
| **Net extraordinary gains/(losses)** | 118,284 |

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

(RMB'000)

| | **Net profit** | | **Shareholders' equity** | |
|---|---|---|---|---|
| | **1 January to 30 June 2007 (Unaudited)** | 1 January to 30 June 2006 (Unaudited) | **30 June 2007 (Unaudited)** | 31 December 2006 (Audited) |
| Amount as reported in financial statements prepared in accordance with the PRC Accounting Standards | 1,011,900 | 756,153 | 9,739,966 | 8,817,185 |
| — Effect of depreciation on valuation surplus of assets not recognised under IFRS | 2,613 | 2,613 | (1,352) | (3,965) |
| —Goodwill not amortised under IFRS | - | 2,079 | 10,346 | 10,346 |
| — One-off amortisation of pre-operating expenses under IFRS | 7,133 | 85 | - | (7,133) |
| — Effect on assets acquired through business combination recognised at fair value and assets amortisation/depreciation under IFRS | (847) | (849) | 82,170 | 83,017 |
| — Reversal of revaluation surplus of land use rights upon reorganisation of the Company and its subsidiaries ("Group") | 1,919 | 1,919 | (154,144) | (156,063) |
| — Deferred income tax credit for investment in domestic equipment under IFRS | (1,592) | 5,630 | (130,410) | (128,818) |
| —Effect of deferred income tax on difference between PRC Accounting Standards and under IFRS | 6,853 | 280 | (20,542) | (27,396) |
| — Others | - | (5,280) | (1,187) | (1,187) |
| Amount as reported under IFRS | 1,027,979 | 762,629 | 9,524,846 | 8,585,986 |

# III.CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SHAREHOLDERS

## 1. Shareholdings of the top 10 holders of shares with trading restrictions and top 10 holders of shares without trading restrictions

Total number of shareholders at the end of the Reporting Period: 4,580

Shareholdings of the top 10 holders of shares with trading restrictions and top 10 holders of shares without trading restrictions

| | Name of shareholders | Nature of shareholder | Number of shares held at the end of the Reporting Period (shares) | Percentage of Shareholdings (%) | Class of Shares | Selling restrictions |
|---|---|---|---|---|---|---|
| 1. | Conch Holdings | State-owned shareholder | 582,451,147 | 37.18 | A Shares | Yes |
| | | State-owned shareholder | 62,784,000 | 4.01 | A Shares | No |
| 2. | Anhui Conch Venture Investment Company Limited ("Conch Venture") | Others | 287,999,046 | 18.39 | A Shares | Yes |
| 3. | HKSCC Nominees Limited | Foreign shareholder | 432,522,997 | 27.61 | H Shares | No |
| 4. | Agricultural Bank of China — Zhongyou Selected Core Equity Investment Fund | Others | 18,721,018 | 1.20 | A Shares | No |
| 5. | Fenghe Value Securities Investment Fund | Others | 10,526,510 | 0.67 | A Shares | No |
| 6. | China Construction Bank Corporation — Yinhua Selected Core Value Equity Investment Fund | Others | 6,673,005 | 0.43 | A Shares | No |
| 7. | Bank of Communications — Fuguo Tianyi Value Securities Investment Fund | Others | 6,488,300 | 0.41 | A Shares | No |
| 8. | Industrial and Commercial Bank of China — Guangfa Strategic Aborative — select Composite Securities Investment Fund | Others | 5,698,150 | 0.36 | A Shares | No |
| 9. | Bank of China — ChinaAMC Return II Fund | Others | 4,676,314 | 0.30 | A Shares | No |
| 10. | Industrial and Commercial Bank of China — Guangfa Stable Growth Securities Investment Fund | Others | 4,611,766 | 0.29 | A Shares | No |
| 11. | Agricultural Bank of China — Dacheng Selected Value-added Composite Securities Investment Fund | Others | 4,569,791 | 0.29 | A Shares | No |

Statements as to connected relationship or parties acting in concert among top 10 shareholders:

So far as the Board is aware, the above mentioned holders are not connected to each other nor are parties acting in concert, except that as Conch Venture held 49% shares of Conch Holdings, and, it and Conch Holdings, held 18.39% and 41.19% shares of the Company respectively. Hence, Conch Venture and Conch Holdings are connected to each other and are parties acting in concert, and that Guangfa Strategic Aborative — select Composite Securities Investment Fund and Guangfa Stable Growth Securities Investment Fund are under GF Fund Management Co., Ltd.

**2. Purchase, sales and redemption of listed Shares**

For the six months ended 30 June 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed shares of the Company.

## IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 1. Interests of Directors and supervisors

For the six months ended 30 June 2007 ("the Reporting Period"), none of the Directors and supervisors of the Company nor any of their respective associates held any shares and debentures or other interests of the Company or its associated corporations, nor had they been granted or exercised any rights to subscribe for shares or debentures of the Company or its associated corporation, which are required to be recorded in the register kept and maintained in accordance with section 352 of the SFO that came into effect on 1 April 2003.

During the Reporting Period, none of the Directors and supervisors had any 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 2007, the Board was not aware of any information which would indicate that the Company did not comply with the code provisions (the "Code Provisions") of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

## V. MANAGEMENT DISCUSSION AND ANALYSIS

### Business Environment

During the first half of 2007, there was a period-on-period increase of approximately 11.5% in GDP of the PRC, representing an increase of 0.6 percentage points as compared with the same period last year, a record high over the past 11 years. Fixed asset investments recorded a period-on-period increase of 25.9%. In light of such economic climate, the State introduced a series of reinforced austerity measures to prevent the overheat of economic development which has been growing in a relatively fast pace. (Source: National Bureau of Statistics)

During the first half of 2007, the cement industry actively implemented the State's austerity measures and the relevant policies on the cement industry, indicating positive development. The restructuring of the industry accelerated with more cement manufacturers of low production capacity were eliminated. The production capacity of new dry-processed cement accounted for approximately 53% of the total production capacity of cement as compared with 50% at the end of last year. Total exports volume of cement and clinker of the industry slightly increased as compared with the same period last year. Demand and supply of the cement market became more balanced. In addition to seasonal increase, the price of cement was generally higher than that of the corresponding period last year. (Source: National Development and Reform Commission)

### Operation Overview

During first half of 2007, the Company positively focused on the development of the macro economic environment and market conditions, and by increasing the selling price of its products and sales volume in a timely manner, the Company was able to overcome the adverse impact of the appreciation of Renminbi and the cancellation of export tax rebate and successfully achieved its product export target over its expected level. Meanwhile, the Company accelerated the construction progress of residual heat generating projects and implemented various energy-saving and emission reduction measures to relieve the cost pressure arising from the increase of price in coal and electricity and thereby steadily improved its overall operation. During the Reporting Period, the production and sales volumes, operating income and profit of cement and clinker products of our Group recorded significant growth over the same period last year.

During the Reporting Period, the Group recorded sales volume of 39,950,000 tonnes, representing an increase of 15.06% over the same period last year. The Group's income from principal operations, calculated in accordance with the PRC Accounting Standards, amounted to RMB8,223,860,000, representing an increase of 22.01% over the same period last year. Net profit attributable to the equity shareholders of the Company was RMB881,120,000, representing an increase of 50.39% over the same period last year. Earnings per share amounted to RMB0.64. The Group's sales revenue amounted to RMB8,223,870,000, calculated in accordance with the IFRS, representing an increase of 22.73% over the same period last year. Profit after tax and minority interests amounted to RMB897,110,000, representing an increase of 52.08% over the same period last year. Earnings per share amounted to RMB0.65.

During the Reporting Period, the increase in operating income of the Group was mainly due to the increase in selling prices and sales volume. Despite the fact that the first season is the low season for the sale of cement, market demand still grew steadily resulting from the pull of investment in fixed assets and the selling prices of the Group's cement and clinker products increased by different levels during the second season. In term of types of products, sales amount of grade 42.5 cement, grade 32.5 cement and clinker rose by 31.71%, 19.69% and 9.66% respectively as compared with the same period last year.

**Breakdown of sales amount by products, prepared in accordance with the PRC Accounting Standards**

(RMB'000)

| | January to June 2007 | | January to June 2006 | |
|---|---|---|---|---|
| **Products** | **Sales amount** | **Percentage (%)** | **Sales amount** | **Percentage (%)** |
| Cement | | | | |
| Grade 42.5 | 3,737,337 | 45.45% | 2,837,491 | 42.10% |
| Grade 32.5 | 2,467,382 | 30.00% | 2,061,421 | 30.58% |
| Sub-total | 6,204,719 | 75.45% | 4,898,912 | 72.68% |
| Clinker | 2,019,148 | 24.55% | 1,841,330 | 27.32% |
| Total | 8,223,867 | 100.00% | 6,740,242 | 100.00% |

During the Reporting Period, the Group's development strategy in Southern China was a remarkable success. Due to the full utilisation of the production capacity of the four clinker production lines with a daily capacity of 5,000 tonnes and four cement grinding machines with an aggregate annual production capacity of 4.8 million tonnes of Yingde Conch Company Limited ("Prosperity Conch"), the Group's product prices and sales volume in Southern China rose significantly, and as a result, the sales amount recorded a period-on-period increase of 49.71%. Moreover, fuelled by the increase in infrastructure projects and investments in new rural construction projects, sales amount in the Eastern China such as Anhui Province and

Fujian Province maintained substantial increases of 51.28% and 50.27% respectively.

**Breakdown of sales amount by regions, prepared in accordance with the PRC Accounting Standards**

(RMB'000)

| Region | January to June 2007 | | January to June 2006 | | Difference as compared with the same period last year (%) |
|---|---|---|---|---|---|
| | Sales amount | Percentage (%) | Sales amount | Percentage (%) | |
| Eastern China | 4,998,047 | 60.77 | 4,073,883 | 60.44 | 22.69 |
| Southern China | 1,601,557 | 19.48 | 1,069,784 | 15.87 | 49.71 |
| Export | 1,624,263 | 19.75 | 1,596,575 | 23.69 | 1.73 |
| Total | 8,223,867 | 100 | 6,740,242 | 100 | 22.01 |

***Profit Analysis***

An analysis of changes to the Group's major profit and loss items, prepared in accordance with the PRC Accounting Standards, is set out as follows:

**Changes to the Group's major profit and loss items (prepared in accordance with PRC Accounting Standards)**

(RMB'000)

| **Items** | **Amount** | | **Difference as compared with the same period last year (%)** |
|---|---|---|---|
| | **First half of 2007** | **First half of 2006** | |
| Income from principal operations | 8,223,867 | 6,740,242 | 22.01 |
| Profit from operations | 1,227,567 | 913,101 | 34.44 |
| Profit before taxation | 1,396,955 | 1,050,371 | 33.00 |
| Net profit attributable to the equity shareholders of the Company | 881,116 | 585,891 | 50.39 |
| Net cash flow from operating activities | 738,155 | 894,228 | (17.45) |

During the Reporting Period, the Group's profit from operations amounted to RMB1,227,570,000, representing a period-on-period increase of 34.44%; total profit amounted to RMB1,396,960,000, representing a period-on-period increase of 33.00%; net profit attributable to the parent company amounted to RMB881,120,000, representing a period-on-period increase of 50.39%. The increase in profit was mainly attributable to the general increase in prices and sales volume. However, total production cost for the period recorded an increase of 2.91% over the same period last year as a result of higher coal prices and electricity tariffs etc.

**Gross profit by products for the period from January to June 2007 and period-on-period comparison (prepared in accordance with PRC Accounting Standards)**

(RMB'000)

| **Products** | **Income from principal operations** | **Cost of principal operations** | **Gross margin during the Reporting** | **Gross margin for the same period in** | **Change of Gross margin as compared** |
|---|---|---|---|---|---|

| | | | Period (%) | last year (%) | with the same period in last year (percentage points) |
|---|---|---|---|---|---|
| Grade 42.5 cement | 3,737,337 | 2,716,137 | 27.32 | 25.03 | 2.29 |
| Grade 32.5 cement | 2,467,382 | 1,649,413 | 33.15 | 27.25 | 5.90 |
| Clinker | 2,019,148 | 1,428,290 | 29.26 | 31.29 | (2.03) |
| Total | 8,223,867 | 5,793,840 | 29.55 | 27.42 | 2.13 |

During the Reporting Period, the Group's consolidated gross margin recorded a period-on-period increase of 2.13%. Nonetheless, under the impacts of appreciation in RMB and lifting of cement export tax refund, the gross margin of clinker had a period-on-period decrease of 2.03%.

### Expenses for the period (prepared in accordance with PRC Accounting Standards)

(RMB'000)

| **Expenses during the period** | **Amount during the Reporting Period** | **Amount of the same period last year** | **Percentage to income from principal operations during the Reporting Period** (%) | **Percentage to income from principal operations for the same period last year** (%) | **Difference on percentage to income from** principal **operations** (%) |
|---|---|---|---|---|---|
| Selling and marketing expenses | 579,442 | 502,232 | 7.05 | 7.45 | (0.40) |
| Administrative expenses | 284,159 | 215,240 | 3.46 | 3.19 | 0.27 |
| Net finance expenses | 301,076 | 245,216 | 3.66 | 3.64 | 0.02 |
| Total | 1,164,677 | 962,688 | 14.16 | 14.28 | (0.12) |

During the Reporting Period, the Group exercised sound control over all expenses. Increases in selling and marketing expenses and finance expenses were mainly attributable to increase in sales volume and the upward adjustment of interest rate by the People's Bank of China.

## Financial Conditions

### Asset and liability status

As at 30 June 2007, the Group's total assets, total liabilities and net assets, prepared in accordance with PRC Accounting Standards, amounted to RMB25,700 million, RMB15,900 million and RMB9, 700 million respectively.

The gearing ratio, prepared in accordance with PRC Accounting Standards, was 62.04%, representing an increase of 0.62 percentage points over the end of last year; while the debt-to-equity ratio, prepared in accordance with IFRS was 1.21, representing a slight increase as compared with the end of the last year.

Change in balance sheet items (prepared in accordance with PRC Accounting Standards)

(RMB'000)

| **Items** | **As at 30 June 2007** | **As at 31 December** | **Increase/decrease** |
|---|---|---|---|

| | | 2006 | |
|---|---|---|---|
| | | | (%) |
| Fixed assets | 16,304,935 | 14,919,314 | 9.29 |
| Current and other assets | 9,355,714 | 7,936,501 | 17.88 |
| Total assets | 25,660,649 | 22,855,815 | 12.27 |
| Current liabilities | 7,101,077 | 6,832,145 | 3.94 |
| Non-current liabilities | 8,819,606 | 7,206,485 | 22.38 |
| Minority interest | 388,757 | 1,499,706 | (74.08) |
| Equity interest attributable to holding company | 9,351,209 | 7,317,480 | 27.79 |
| Total liabilities and equity | 25,660,649 | 22,855,815 | 12.27 |

Liquidity and source of funds

As at 30 June 2007, the Group's total current assets and total current liabilities, prepared in accordance with PRC Accounting Standards, were RMB]4,483.04 million and RMB7,101.08 million respectively. The current ratio was 0.63:1.

As at 30 June 2007, the Group's total current assets and total current liabilities, prepared in accordance with IFRS, were RMB4,483.04 million and RMB7,101.08 million respectively. The net current liabilities were RMB2,618.04 million.

Maturity analysis of bank loans and other facilities of the Group as at 30 June 2007 is as follows:

| **Maturity date** | **As at 30 June 2007 (RMB'000)** | **As at 31 December 2006 (RMB'000)** |
|---|---|---|
| Due within 1 year | 3,597,380 | 3,457,380 |
| Due after 1 year but within 2 years | 3,603,000 | 2,408,939 |
| Due after 2 years but within 5 years | 4,156,970 | 3,779,800 |
| Due after 5 years | 992,727 | 980,000 |
| Total | 12,350,077 | 10,626,119 |

As at 30 June 2007, outstanding capital commitments in respect of the purchase of machinery and equipment for production purposes but not yet provided for in the accounts are as follows:

| | **As at 30 June 2007 (RMB'000)** | **As at 31 December 2006 (RMB'000)** |
|---|---|---|
| Authorised and contracted for | 5,547,593 | 2,210,776 |
| Authorised but not contracted for | 645,861 | 2,262,920 |
| Total | 6,193,454 | 4,473,696 |

A summary of the Group's net cash flow from January to June 2007, prepared in accordance with PRC Accounting Standards, is set out as follows:

| | **January to June 2007 (RMB'000)** | **January to June 2006 (RMB'000)** |
|---|---|---|
| Net cash flow from operating activities | 738,155 | 894,228 |
| Net cash flow from investment activities | (2,544,520) | (1,268,630) |
| Net cash flow from financing activities | 1,306,897 | 186,359 |
| Net increase in cash and cash equivalents | (499,468) | (188,042) |
| Cash and cash equivalents at the beginning of the year | 1,331,084 | 1,473,405 |

| | | |
|---|---|---|
| Cash and cash equivalents at the end of the period | 831,616 | 1,285,363 |

During the Reporting Period, net cash outflow of the Group amounted to RMB499.47 million, an increase in net outflow of RMB311.43 million over the same period last year, due to the Group's needs for investments in project construction.

# Capital expenditure

During the Reporting Period, the aggregate expenses of investment activities and capital expenditure of the Group amounted to RMB2,500 million, which was mainly applied for the investment in the construction of cement, clinker and residual heat generating projects.

### Project Investments of the Group

1. Investments in significant projects during the Reporting Period

(Unit: RMB'000)

| Serial No. | Project name | Progress of Project | Amount invested during Reporting Period |
|---|---|---|---|
| 1 | Technology upgrade project of a clinker production line with daily production capacity of 4,000 tonnes of Beiliu Conch Cement Company Limited ("Beiliu Conch") | In operation | 45,320 |
| 2 | Phase 2 of two clinker production lines each with daily production capacity of 5,000 tonnes and grinding station project of Wuhu Conch Cement Co., Ltd. ("Wuhu Conch") | In operation | 174,763 |
| 3 | Construction of two clinker production lines each with a daily production capacity of 5,000 tonnes of Anhui Xuancheng Conch Cement Co., Ltd. | Under construction | 296,815 |
| 4 | Phase 3 of two clinker production lines with daily production capacity of 4,500 tonnes and residual heat electricity generation project of Anhui Chizhou Conch Cement Compant Limited ("Chizhou Conch") | Under construction | 285,697 |
| 5 | Technology upgrade project of Phase 3 of two clinker production lines each with a daily production capacity of 4,500 tonnes of Anhui Digang Conch Cement Company Limited ("Digang Conch") | Under construction | 256,440 |
| 6 | Technology upgrade project of Phase 2 of a clinker production line with daily production capacity of 4,500 tonnes of Fusui Xinning Conch Cement Company Limited | Under construction | 136,817 |
| 7 | Construction of a clinker production line with daily production capacity of 5,000 tonnes and grinding station and residual heat electricity generation project of Shimen Conch Cement Company Limited | Under construction | 32,691 |
| 8 | Phase 2 of a project of cement grinding station with annual production capacity of 1,600,000 tonnes of Jiangsu Baling Conch Cement Co., Ltd. ("Baling Conch") | In operation | 26,387 |
| 9 | Construction of a cement grinding station with annual production capacity of 3,200,000 tonnes of Zhanjiang Conch Cement Company Limited | Under construction | 133,640 |
| 10 | Construction of a cement grinding station with annual production capacity of 3,200,000 tonnes and pier of Ninghai Qiangjiao Conch Co., Ltd. | Under construction | 61,195 |
| 11 | Construction of residual heat electricity generation project of Anhui Tongling Conch Cement Co., Ltd. (''Tongling Conch''), Anhui | Under construction | 137.913 |

Zongyang Conch Cement Co., Ltd. ("Zongyang Conch") and Digang Conch

During the Reporting Period, the two clinker production lines each with daily production capacity of 5,000 tonnes of Wuhu Conch and a clinker production line with daily production capacity of 4,000 tonnes of Beiliu Conch; as well as the expansion projects of cement grinding stations of Anhui Changfeng Conch Cement Company Limited ("Changfeng Conch"), Bengbu Conch Cement Co., Ltd. ("Bengbu Conch") and Baling Conch have been completed and put into operation. The residual heat electricity generation projects of the 16,300KW project of Tongling Conch, the 18,500KW project of Zongyang Conch, and the 18,500KW project of Digang Conch have been put into operation as scheduled.

**2. Investment in major project companies during the Reporting Period**

During the Reporting Period, the Company did not make any new investment in project companies.

**Outlook for the second half of 2007**

For the second half of 2007, with the anticipated robust development of the overall PRC macro economy, fixed asset investments will maintain a steady trend of growth. It is expected that the PRC Government will implement further austerity measures and adopt prudent and relatively stringent fiscal and currency policies. Approval for development of resources such as land and mine will remain stringent, which will be favourable for the development of major cement enterprises.

During the second half of the year, under the combined effect of energy saving and emission reduction as well as various environmental policies and measures adopted by the State, it is expected that obsolete cement factories will be phased out at an accelerating pace with a relatively mild increase in cement production capacity. Though confronting with the appreciation of RMB and the lifting of export tax refund policy, it is expected that export volumes of domestic cement and clinker will decrease. Nevertheless, driven by the investments in fixed assets and infrastructure projects, it is expected that the overall demand of cement will maintain steady growth during the second half of the year and prices of the cement will be rising in a moderate pace.

In light of this, in the second half of the year, the Group will further strengthen its internal production management and improve its efficiency. The Group will also enhance the study of market trend to gain more control on the regional market. The Company will seek to increase its total sales volume while maintaining the export sales volume. The Company will also optimize and expand the sourcing of coal to ensure high quality and attractive price. At the same time, we are committed to becoming a model of recycling economy and environmentally friendly enterprise by developing residual heat electricity generation projects, promoting the application of advanced environmentally friendly technology with low energy consumption and implementing various energy saving and emission reduction measures.

## VI. EMPLOYEES AND THEIR REMUNERATION

As at 30 June 2007, the Group had a total of 18,832 employees whose aggregate remuneration amounted to RMB289, 422,894, which was the aggregate remuneration of the employees for the Reporting Period.

## VII. MATERIAL ACQUISITIONS, DISPOSALS AND REORGANISATIONS OF ASSETS

### 1. Acquisition of shares in Chaodong Joint Stock Company

On 13 April 2007, the acquisition of a certain number of shares of Anhui Chaodong Cement Joint Stock Company Limited ("Chaodong Joint Stock Company") by the Company was approved by the CSRC (Zheng Jian Gong Si Zi No. 67 [2007]), and the registration of the transfer of shares with China Securities Depository and Clearing Corporation Limited, Shanghai Branch ("CSDCC Shanghai Branch") was completed on 1 June 2007. On 9 May 2007, the Company paid Anhui Chaodong Cement Group Company Limited the consideration of RMB97,676,536 for acquisition of 39,385,700 shares in Chaodong Joint Stock Company (representing approximately 19.69% of the total shares of Chaodong Joint Stock Company). The consideration represented 6.96% of the total profit of the Company during the Reporting Period.

Pursuant to the resolution passed at the general meeting of Chaodong Joint Stock Company held on 8 May 2007 in relation to share segregation reform which was implemented on 18 July 2007, the 39,385,700 shares in Chaodong Joint Stock Company held by the Company represented 16.28% of the total share capital of Chaodong Joint Stock Company after the share segregation reform.

The acquisition of shares of Chaodong Joint Stock Company constitutes a connected transaction under the Listing Rules of SSE, but does not constitute a connected transaction under the Listing Rules of the Stock Exchange.

Acquisition of shares in Chaodong Joint Stock Company did not affect the continuance of the operations and the stability of the management of the Company and did not have significant impact on the financial position and operating results of the Company.

### 2. Acquisition of assets financed by the issue of shares

On 21 August 2006, the Company entered into the Assets Purchase Agreement with Conch Holdings, whereby the Company intended to issue A shares to Conch Holdings as the consideration for the acquisition of the equity interests in Three Companies.

On 21 August 2006, the Company entered into the Assets Purchase Agreement with Conch Venture, whereby the Company intended to issue A shares to Conch Venture as the consideration for the acquisition of 49% of the equity interests in Digang Conch, 49% of the equity interests in Zongyang Conch, 49% of the equity interests in Chizhou Conch and 31.86% of the equity interests in Tongling Conch (together the "Four Companies"), all of which are subsidiaries in which the Company has controlling interests.

On 24 April 2007, according to "Approval on the issue of shares by Anhui Conch Cement Company Limited to Anhui Conch Holdings Company Limited and Anhui Conch Venture Investment Company Limited as consideration for purchase of assets" (Zheng Jian Gong Si Zi No. 74 [2007]), the issue of shares by the Company as consideration for the acquisitions of the respective equity interests in the above Three Companies and Four Companies was approved by

CSRC. On the same day, CSRC issued "Approval in relation to granting Anhui Conch Holdings Company Limited and Anhui Conch Venture Investment Company Limited a whitewash waiver from their obligations to make general offer to acquire shares of Anhui Conch Cement Company Limited" (Zheng Jian Gong Si Zi No. 75 [2007], which granted a waiver from the obligation of Conch Holdings and the parties acting in concert with it to make a general offer for acquisition of shares.

On 25 May 2007, the Company completed the acquisition of assets from Conch Holdings and Conch Venture. Ascenda Certified Public Accountants, Ltd. has issued an verification report in respect of the shares issued for the acquisition (Ascenda Yan (2007) GF No. 070004.

The Board of the Company has made relevant arrangement for the abovementioned issue of shares pursuant to the terms and conditions of the approval documents and the authorisation from the general meeting of the Company. The registration of the issue of such new shares with CSDCC Shanghai Branch was completed on 25 May 2007. The Company completed the registration and filing of the issue of new shares and the amendments of the Articles of Association of the Company in respect of the change in the issue of new shares at Administration for Industry and Commerce, Anhui Branch on 4 July 2007. The registered capital of the Company increased to RMB1,566,434,193 from RMB1,255,680,000 while its total number of shares increased to 1,566,434,193 from 1,255,680,000.

The issue of shares for acquisition of assets constitutes a connected transaction under the Listing Rules of SSE and a connected transaction under the Listing Rules of the Stock Exchange.

The issue of shares for acquisition of assets enhanced the profitability of the Group and did not affect the continuance of the operations and the stability of the management of the Company.

## VIII. GUARANTEES

During the Reporting Period, external guarantees of the Company, which have been approved either by the Board or general meeting, were guarantees provided in respect of its own loans and loans of its subsidiaries.

During the Reporting Period, the guarantees provided by the Company for its subsidiaries amounted to RMB50 million, all being guarantees for collateral liabilities. As at 30 June 2007, the balance of guarantees provided by the Company for its subsidiaries amounted to RMB1,605.727 million, representing 12.52% of the net assets of the Company.

During the Reporting Period, the aggregate amount of guarantees provided by the Company for companies with a gearing ratio of over 70% amounted to RMB770 million and such amount did not exceed 50% of its latest audited net assets. The Company had not provided any guarantee for its controlling shareholder, beneficial controlling shareholders, other related parties nor any other entities which were not legal persons or individuals.

As at 30 June 2007, the Group's property, plant and equipment with net value of approximately RMB65,076,000 (31 December 2006: approximately RMB65,587,000) and the Group's land lease prepayment with net value of approximately RMB5,105,000 (31 December 2006: approximately RMB5,119,000) were pledged as security for the Group's bank borrowing of

RMB60,000,000 (31 December 2006: approximately RMB60,000,000).

Other non-current pledged loans of the Group were provided by IFC. The loans are committed with fixed interest rate at 5.32% (31 December 2006: 5.32%) per annum and will expire in September 2015. As at 30 June 2007, the Group's property, plant and equipment with net value of approximately RMB740,410,000 (31 December 2006: approximately RMB756,510,000) were pledged as security the above loans. The Group has to satisfy certain financial conditions, which are reviewed by IFC annually, for such loans.

## IX. UNDERTAKINGS

In respect of the acquisition of assets by issuing of shares which was completed on 25 May 2007, Conch Holdings and Conch Venture, shareholders holding more than 5% of the total issued shares of the Company, have undertaken that:

(1) On 27 April 2007, each of Conch Holdings and Conch Venture undertook to waive their dividends entitlement for the year 2006 payable for the 22,755,147 A Shares and 287,999,046 A Shares issued to them respectively for the acquisition of assets by the Company. Conch Holdings and Conch Venture had fulfilled their undertaking during the Reporting Period.

(2) On 17 January 2007, Conch Holdings undertook that within four months after completion of the acquisition of assets by issuing shares, it would complete the registration of the building ownership of the properties of Ningchang Company, Wuhu Plastic, Conch International Trading and their respective subsidiaries. Conch Holdings would indemnify the Company in accordance with the relevant agreement if the registration of such building ownership has not been completed during the undertaking period.

As at the end of the Reporting Period, except a building of 4,388.16 square meters of Wuhu Conch Logistics Company Limited ("Wuhu Logistics", a subsidiary of Conch International Trading"), the building ownership of all other properties of the Three Companies and their respective subsidiaries has been registered. After negotiation, it has been agreed that Conch Holdings will pay to the Company RMB1,882,600 in cash which is determined with reference to the appraised value of the property of 4,388.16 square meter of RMB2,353,200 assessed by Beijing Guo You Da Zheng Asset Appraisal Company Limited] as at the record date on 31 May 2007 and taking into account the asset value of RMB1,882,600 which is in proportion to the equity interests acquired in Wuhu Logistics by the Company.

(3) Pursuant to the Asset Acquisition Agreement entered into between the Company and Conch Venture on 21 August 2006, Conch Venture has agreed that if the aggregate audited net profit attributable to the equity interests of the Four Companies acquired by the Company for the year ended 31 December 2006 prepared in accordance with the PRC Accounting Standards is less than RMB319.198 million, Conch Venture agreed that the Company would repurchase such number of shares in the Company at an aggregate consideration of RMB1.00.

The aggregate audited net profit attributable to the equity interests of the Four Companies for the year ended 31 December 2006 audited by our accountants in accordance with the PRC Accounting Standards was RMB338, 173,400 which is higher than RMB319.198 million. The Company did not have to repurchase any shares.

## X. AUDIT COMMITTEE

The Company has established an audit committee. 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 the financial reporting process and the internal control system of the Group and the provision of advice and recommendations to the Board. The audit committee has reviewed the interim report of 2007.

## XI. SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

In the second meeting of the fourth session of Board of the Company held on 25 June 2007, the resolutions regarding of public offer of new A Shares of the Company were passed by means of electronic communication. The Company plans to raise capital of not more than RMB12,037.52 million through a public offering of new A Shares of up to 200 million in 2007. On 28 June 2007, the Company issued notices of the first extraordinary general meeting for the year 2007, H Share class meeting and A Share class meeting for considering such matter.

The first extraordinary general meeting for the year 2007, H Share class meeting and A Share class meeting were convened on 15 August 2007, on which the resolutions regarding of public offer of new A Shares of the Company were passed. Please refer to the relevant announcement of the Company for details.

## XII. CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

The balance sheet and unaudited consolidated results for the six months ended 30 June 2007 together with the comparative figures for the six months ended 30 June 2006, prepared in accordance with the IFRS and presented on the basis described in Note 1 below are as follows: (Amounts in thousands of RMB unless otherwise stated)

## 1. Consolidated balance sheet

| | As at 30 June 2007 | As at 31 December 2006 (restated) |
|---|---|---|
| | RMB'000 | RMB'000 |
| **Non-current assets** | | |
| Fixed assets | | |
| -Property, plant and equipment | 19,197,897 | 17,093,540 |
| -Interest in leasehold land held for own use under operating leases | 971,466 | 860,427 |
| Intangible assets | 213,302 | 198,675 |
| Goodwill | 51,925 | 51,925 |
| Interest in associates | 164,375 | 163,219 |
| Loans and receivables | 188,000 | 128,500 |
| Investments in equity securities | 168 | 168 |
| Available-for-sale equity securities | 263,884 | - |
| Deferred tax assets | 62,419 | 57,465 |
| | 21,113,436 | 18,553,919 |
| **Current assets** | | |
| Inventories | 1,540,936 | 1,272,879 |
| Trade receivables | 1,170,263 | 650,770 |
| Prepayment and other receivables | 812,141 | 633,481 |
| Amounts due from related parties | 120,251 | 75 |
| Restricted cash deposits | 7,835 | 7,528 |
| Cash at bank and in hand | 831,616 | 1,331,083 |
| | 4,483,042 | 3,895,816 |

| | As at 30 June 2007 RMB'000 | As at 31 December 2006 (restated) RMB'000 |
|---|---|---|
| **Current liabilities** | | |
| Trade payables | 1,085,333 | 925,376 |
| Other payables and accruals | 1,950,733 | 1,572,645 |
| Bank loans and other borrowings | 3,597,380 | 3,457,380 |
| Amounts due to related parties | 98,864 | 101,506 |
| Derivative financial instruments | 31,180 | 49,740 |
| Current portion of long term payables | 8,536 | 10,758 |
| Current taxation | 329,049 | 383,644 |
| | 7,101,075 | 6,501,049 |
| **Net current liabilities** | (2,618,033) | (2,605,233) |
| **Total assets less current liabilities** | 18,495,403 | 15,948,686 |
| **Non-current liabilities** | | |
| Bank loans and other borrowings | 8,752,697 | 7,168,739 |
| Long term payables | 66,908 | 37,746 |
| Deferred income | 130,410 | 128,818 |
| Deferred tax liabilities | 20,542 | 27,396 |
| | 8,970,557 | 7,362,699 |
| **NET ASSETS** | 9,524,846 | 8,585,987 |
| **CAPTITAL AND RESERVES** | | |
| Share capital | 1,566,434 | 1,255,680 |
| Reserves | 7,571,469 | 5,886,608 |

| | As at 30 June 2007 | As at 31 December 2006 (restated) |
|---|---|---|
| | RMB'000 | RMB'000 |
| **Total equity attributable to equity shareholders of the Company** | 9,137,903 | 7,142,288 |
| **Minority interests** | 386,943 | 1,443,699 |
| **TOTAL EQUITY** | 9,524,846 | 8,585,987 |
| | ========= | ========= |

## 2. Consolidated income statement

| | For the six months ended 30 June | |
|---|---|---|
| | 2007 | 2006 (restated) |
| | RMB'000 | RMB'000 |
| **Revenue** | 8,223,867 | 6,700,574 |
| Cost of sales | (5,840,197) | (4,855,396) |
| **Gross profit** | 2,383,670 | 1,845,178 |
| Other revenue | 311,849 | 921,371 |
| Other net loss | (7,599) | (1,570) |
| Selling and marketing costs | (579,422) | (502,231) |
| Administrative expenses | (275,679) | (215,343) |
| Other operating expenses | (119,490) | (729,849) |
| **Profit from operations** | 1,713,329 | 1,317,556 |
| Finance costs | (302,419) | (261,966) |
| Share of profits of associates | 1,156 | 977 |

| | For the six months ended 30 June | |
|---|---|---|
| | 2007 | 2006 (restated) |
| | RMB'000 | RMB'000 |
| **Profit before taxation** | 1,412,066 | 1,056,567 |
| Income tax | (384,087) | (293,938) |
| **Profit for the period** | 1,027,979 | 762,629 |
| **Attributable to:** | | |
| Equity shareholders of the Company | 897,109 | 589,912 |
| Minority interests | 130,870 | 172,717 |
| **Profit for the period** | 1,027,979 | 762,629 |
| **Dividends** | 251,136 | 87,898 |
| **Earnings per share** | | |
| Basic | RMB0.65 | RMB0.46 |
| Diluted | N/A | N/A |

## 3. Notes

### (1) Basis of preparation

This interim financial report of Anhui Conch Cement Company Limited (the "Company") and its subsidiaries (the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") adopted by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 17 August 2007.

At 30 June 2007, the Group has net current liabilities of RMB2,618,033,000 (2006 (restated): RMB2,605,233,000). At 30 June 2007, the Group was granted banking facilities amounting to RMB16,856,910,000 (2006: RMB14,422,910,000). As at 30 June 2007, the facilities were utilized to the extent of RMB12,357,180,000 (2006: RMB9,889,119,000) and the available banking facilities amounted to RMB4,499,730,000 (2006: RMB4,533,791,000). In addition, the Group had net cash inflow generated from operating activities amounted to RMB734,006,000 (2006 (restated): RMB894,229,000) during the period ended 30 June 2007. The directors are confident that the available banking facilities and cash inflow generated from operating activities are adequate to meet the Group's obligations as and when they fall due and therefore the interim financial report is prepared on a going concern basis.

The interim financial report has been prepared in accordance with substantially the same accounting policies adopted in the 2006 annual financial statements. Please refer to note 2 for the discussion of new and revised International Financial Reporting Standards ("IFRSs") adopted by the Group in 2007.

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 2006 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 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs. IFRSs include IAS and related interpretations.

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

The financial information relating to the financial year ended 31 December 2006 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 2006 are available at the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their audit report dated 12 April 2007.

**(2) New and revised IFRSs**

The IASB has issued a number of new and revised IFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2007. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements prepared under IFRSs for the year ending 31 December 2007, on the basis of IFRSs currently in issue.

The IFRSs that will be effective or are available for voluntary early adoption in the annual financial statements prepared under IFRSs for the year ending 31 December 2007 may be affected by the issue of additional interpretation(s) or other changes announced by the IASB subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

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

**(3) Revenue and segment information**

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

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

**Business segment**

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

**Geographical segments**

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

| | For the six months ended | |
|---|---|---|
| | 30 June 2007 | 30 June 2006 |
| | RMB'000 | RMB'000 |
| Revenue from external customers | | |
| - the PRC | 6,599,604 | 5,104,000 |
| - others | 1,624,263 | 1,596,574 |
| | 8,223,867 | 6,700,574 |
| | ========= | ========= |

**(4) Other revenue and net loss**

a) Other revenue

| | For the six months ended | |
|---|---|---|
| | 30 June 2007 | 30 June 2006 (restated) |
| | RMB'000 | RMB'000 |
| Subsidy income | 145,360 | 134,473 |
| Interest income | 8,913 | 18,215 |

| | | |
|---|---|---|
| Others | 157,576 | 768,683 |
| | 311,849 | 921,371 |
| | ======== | ======== |

b) Other net loss

| | For the six months ended | |
|---|---|---|
| | 30 June 2007 | 30 June 2006 (restated) |
| | RMB'000 | RMB'000 |
| Net loss on disposal of fixed assets | 600 | 719 |
| Exchange loss | 6,999 | 851 |
| | 7,599 | 1,570 |
| | ========= | ======== |

**(5) Profit before taxation**

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

| | For the six months ended | |
|---|---|---|
| | 30 June 2007 | 30 June 2006 (restated) |
| | RMB'000 | RMB'000 |
| (a) Finance costs | | |
| Interest on bank and other borrowings | 324,637 | 268,675 |
| Less: borrowing costs capitalised into construction-in-progress | (22,218) | (6,709) |
| | 302,419 | 261,966 |
| | ========== | ======== |
| (b) Other items | | |
| Depreciation | 533,523 | 447,369 |
| Amortisation of interest in leasehold land held for own use under operating leases | 13,573 | 11,179 |
| Other amortisation | 5,752 | 3,195 |
| Staff costs | 289,423 | 191,048 |
| | ========= | ======== |

(6) Income tax

Individual companies within the Group are generally subject to Enterprise Income Tax at 33% on taxable income determined according to the PRC tax laws except for the following companies:

| | |
|---|---|
| Shanghai Mingzhu Conch Cement Co. Ltd ("Mingzhu Conch)<br>上海海螺明珠水泥有限責任公司 (Note i) | 15% |

| | |
|---|---|
| Shanghai Conch Cement Sales Co., Ltd. (“Shanghai Sales”)<br>上海海螺水泥銷售有限公司 (Note i) | 15% |
| Shanghai Conch Construction Material International Trading Co., Ltd. (“Conch International Trading”)<br>上海海螺建材國際貿易有限公司(Note i) | 15% |
| Anhui Conch Cement Product Co., Ltd. (“Conch Plant”)<br>安徽海螺水泥有限公司 (Note ii) | 30% |
| Prosperity Conch Cement Co., Ltd. (“Prosperity Conch”)<br>英德海螺水泥有限責任公司 (Note iii) | 0% |
| Xinye Kuiyang Conch Cement Co., Ltd. (“Kuiyang Conch”)<br>興業葵陽海螺水泥有限責任公司 (Note iv) | 0% |
| Fusui Xinning Conch Cement Co., Ltd. (“Xinning Conch”)<br>扶綏新寧海螺水泥有限責任公司 (Note v) | 0% |
| Xing’an Conch Cement Co. Ltd (“Xing’an Conch”)<br>興安海螺水泥有限責任公司 (Note vi) | 0% |
| Wuhu Conch Plastic Products Co., Ltd. (“Wuhu Plastic”)<br>蕪湖海螺塑膠製品有限公司 (Note vii) | 15% |

Notes:

(i) Mingzhu Conch, Shanghai Sales and Conch International Trading were established in Shanghai Pudong new district. Accordingly, the applicable Enterprise Income Tax rate is 15%.

(ii) Conch Plant was recognised by the local tax authorities as a sino-foreign enterprise, and thus is entitled to have a local Enterprise Income Tax exemption. The applicable Enterprise Income Tax rate is 30%.

(iii) Prosperity Conch is a sino-foreign enterprise. In 2006, Prosperity Conch was recognised by the local tax authorities as a productive sino-foreign enterprise, and thus is entitled to an Enterprise Income Tax exemption for the first two profitable years and a 50% reduction in Enterprise Income Tax for the subsequent three years. The first profitable year of Prosperity Conch was in 2006. The applicable Enterprise Income Tax rate in 2007 is therefore 0%.

(iv) Kuiyang Conch was recognised by the local tax authorities as a company located in middle-west China, and thus is entitled to an Enterprise Income Tax exemption for the years ended 31 December 2006 to 2010. The applicable Enterprise Income Tax rate in 2007 is therefore 0%.

(v) Xinning Conch was recognised by the local tax authorities as a company located in middle-west China, and thus is entitled to an Enterprise Income Tax exemption for the years ended 2005 to 2009. The applicable Enterprise Income Tax rate in 2007 is therefore 0%.

(vi) Xing’an Conch was recognised by the local tax authorities as a company located in middle-west China, and thus is entitled to an Enterprise Income Tax exemption for the years ended 2006 and 2007. The applicable Enterprise Income Tax rate in 2007 is therefore 0%.

Wuhu Plastic was recognised by the local tax authorities as a company in the industry of environmental protection, and thus is entitled to a preferential tax rate of 15% from 2006 to 2008.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which will take effect on 1 January 2008. As a result of the new tax law, the statutory income tax rate currently adopted by the Company and its subsidiaries will change to 25% with effective from 1 January 2008. The existing preferential tax rate currently enjoyed by the subsidiaries referred to above will also be gradually transited to the new standard rate of 25% over a five-year transition period. As the detailed instruction for the transition to the new tax rate is yet to be issued, the Group estimated that the applicable income tax rate under the preferential tax policy will be expired at the shorter of the existing preferential tax period and the five-year transition period. The change in the carrying amount of the deferred tax assets and liabilities, as a result of the change in tax rate, is recognised in the consolidated income statement of the Group for the six months ended 30 June 2007.

(7) Dividends

A shareholders' meeting on 8 June 2007 approved the dividend appropriation for 2006 of approximately RMB251,136,000 (RMB0.20 per share) (six months ended 30 June 2006: RMB87,898,000 (RMB0.07 per share)).
The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

(8) 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 2007 of RMB897,109,000 (six months ended 30 June 2006 (restated): RMB589,912,000) and the weighted average number of shares in issue during the six months ended 30 June 2007 of 1,374,435,000 (six months ended 30 June 2006 (restated): 1,278,435,000).

During the period, the Company acquired certain subsidiaries under common control through issuance of 22,755,147 A Shares (see note 14). Therefore, the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2006 and the weighted average number of shares in issue during the six months ended 30 June 2006 are restated accordingly.

(b) Diluted earnings per share
The diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2007 and 2006.

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

Wuhu City, Anhui Province, the PRC
17 August 2007

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