



安徽海螺水泥股份有限公司

ANHUI CONCH CEMENT COMPANY LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 0914)

2007 THIRD QUARTERLY REPORT

Highlights of the results of the Group for the three months ended 30 September 2007 are as follows:

During the Reporting Period, the Group's income from principal operations amounted to RMB4616.61 million, representing an increase of 15.08% from that of the corresponding period of the previous year, while its net profit after taxation and minority interests amounted to RMB621.59 million, representing an increase of 78.80% from that of the corresponding period of the previous year.

In accordance with the applicable rules of the Shanghai Stock Exchange of the People's Republic of China ("PRC") (being the stock exchange on which the A shares of the Company are listed), the quarterly report ("Quarterly Report") of Anhui Conch Cement Company Limited ("Company") and its subsidiaries (together with the Company referred to as the "Group") for the third quarter of 2007 ("Reporting Period") will be published in newspapers circulated in the PRC on 29 October 2007. The financial information set out in this Quarterly Report has been prepared in accordance with the PRC Accounting Standards. The currency used in this Quarterly Report shall, unless stated otherwise, be Renminbi, the lawful currency of the PRC.

In accordance with the requirement of Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the main text of the Quarterly Report is set out as below:

1. IMPORTANT NOTICE

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

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

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

2. BASIC CORPORATE INFORMATION

2.1 Major accounting data and financial indicators of the Group

	As at the end of the Reporting Period	As at the end of the previous year	Change in percentage as at the end of the Reporting Period compared with that as at the end of the previous year (%)
Total assets (RMB)	27,694,442,477	22,855,814,589	21.17
Equity holders' equity (shareholders' equity) (RMB)	9,993,464,248	7,317,479,796	36.57
Net assets per share (RMB)	6.38	5.72	11.54
	From the beginning of this year to the end of the Reporting Period	Change in percentage as compared with the corresponding period of the previous year (%)	
Net cash flows from operating activities (RMB)	1,879,102,985	15.14	
Net cash flows from operating activities per share (RMB)	1.31	2.33	
	Reporting Period	From the beginning of this year to the end of the Reporting Period	Change in percentage as compared with the corresponding period of the previous year (%)

Net profit (RMB)	621,588,716	1,502,704,773	78.80
Basic earnings per share (RMB)	0.40	1.04	48.15
Return on net assets	6.22%	15.04%	Increased by 1.68 percentage points
Return on net assets after extraordinary items	5.68%	13.31%	Increased by 2.13 percentage points
Basic earnings per share after extraordinary items from the beginning of the year to the end of the Reporting Period (RMB)		0.92	

Profit and loss attributable to extraordinary items	Amount from the beginning of this year to the end of the Reporting Period (RMB)		
Gains/losses from disposal of long-term equity investment and fixed assets		1,641,351	
Government subsidy income		171,427,895	
Pre-acquisition profit attributable by the subsidiaries acquired under common control during the period		42,353,566	
Effect of income tax on extraordinary gains/(losses)		(51,222,800)	
Other net extraordinary gains		16,010,351	
Effect of extraordinary gains/(losses) on minority interests		(7,709,561)	
Total		172,500,802	

- 2.2 The total number of shareholders and the shareholdings of the top 10 holders of the Company's floating shares without trading restriction as at the end of the Reporting Period (Share segregation reform was completed)

Total number of shareholders as at the end of the Reporting Period 5,256

The shareholding status condition of the top 10 holders of the Company's floating shares without trading restriction

Name of shareholder (in full)	Number of floating shares without trading restriction held at the end of the Reporting Period	Type
HKSCC Nominees Limited	432,828,997	H shares
Anhui Conch Holdings Company Limited ("Conch Holdings")(Note:1)	47,506,113	RMB-denominated ordinary shares
China Construction Bank Corporation – Yinhua Core Value Priority Equity Investment Fund	9,931,557	RMB-denominated ordinary shares
China Construction Bank Corporation – Huaxia Advantage Growth Share Type Securities Investment Fund	9,024,509	RMB-denominated ordinary shares
Rongtong New Blue Chip Securities Investment Fund	8,872,992	RMB-denominated ordinary shares
Agricultural Bank of China-Zhongyou Core Priority Equity Investment Fund	8,481,700	RMB-denominated ordinary shares
China Everbright Bank – Everbright Pramerica Quantified Core Securities Investment Fund	6,192,918	RMB-denominated ordinary shares
Industrial and Commercial Bank of China – Guangfa Strategic Aborative-select Composite Securities Investment Fund	5,698,150	RMB-denominated ordinary shares
Bank of China – ChinaAMC Return II Fund	5,624,659	RMB-denominated ordinary shares
Industrial and Commercial Bank of China – Guangfa Stable Growth Securities Investment Fund	4,611,766	RMB-denominated ordinary shares

Note:

(1) During the Reporting Period, Conch Holdings disposed of an aggregate of 15,277,887 unrestricted floating A shares in the Company through the trading system of the Shanghai Stock Exchange, representing 0.98% of the Company's total number of shares.

As at the end of the Reporting Period, Conch Holdings held 629,957,260 A shares of the Company, representing 40.22% of the Company's total number of shares, of which 582,451,147 shares are restricted floating A shares and 47,506,113 shares are unrestricted floating A shares. Conch Holdings remains as the single largest shareholder of the Company.

3. MAJOR EVENTS

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

- (1) As at the end of the Reporting Period, the amount of notes receivable by the Group increased by 84% when compared with that of the beginning of the Reporting Period, which was mainly due to the Group allowing a higher proportion of payment to be made by notes for increasing market share;
- (2) As at the end of the Reporting Period, the project materials, projects under construction and others non-current assets of the Group increased by 129%, 33% and 55% respectively from those of the beginning of the Reporting Period, which were mainly due to the increased capital expenditure in connection to increasing number of continuing projects and new projects of the Group;
- (3) As at the end of the Reporting Period, the advance payments collected by the Group increased by 39% when compared with that of the beginning of the Reporting Period, which was mainly due to the increased advance payment in connection to increased operation scale and sales volume of the Group and the implementation of the Group's policy on cash on delivery;
- (4) As at the end of the Reporting Period, the Group's long-term borrowings increased by 35% when compared with that of the beginning of the Reporting Period, which was mainly due to rationalization of debt structure of the Group, such that the majority of the newly-added loans were long-term loans;
- (5) As at the end of the Reporting Period, the Group's capital reserve and minority interests increased by 54% and decreased by 73% respectively when compared with those of the beginning of the Reporting Period, which were mainly due to the acquisition of the minority interests of some of the Group's subsidiaries in consideration of the issue of A shares;
- (6) During the Reporting Period, the Group's business tax and surcharges increased by 66% when compared with that of the same period of the previous year, which was

mainly due to an increase in sales tax and surcharges arising from increased value-added tax payable as a result of the cessation of export tax refunding effective from 1 July 2007;

- (7) During the Reporting Period, the Group's net profit increased by 44% when compared with that of the same period of the previous year, which was mainly due to an increase in the sales volume and an increase in the selling price of the Group;
- (8) As at the end of the Reporting Period, the Group's net cash outflow from investment activities amounted to RMB 4,272 million, representing a 117% increase from that of the same period of the previous year and the Group's net cash inflow from financing activities amounted to RMB 2,252 million, representing a 1,017% increase from that of the same period of the previous year, which were mainly due to increased number in continuing projects and new clinker and residual heat generating projects with accelerated progress in project development, resulting in increase in capital expenditure and the corresponding increase in new loans.

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

- (1) As at 25 May 2007, the Company completed the transaction of acquisition of assets in consideration of the issue of shares and the procedures of new shares registration. Matters regarding industrial and commercial registration were completed on 4 July 2007.

The acquisition of assets in consideration of the Company's issue of A shares to Conch Holdings as the consideration for the acquisition of 100% equity interests in Anhui Ningchang Plastic Package Co., Ltd ("Ningchang Company"), 75% equity interests in Wuhu Conch Plastic Products Company Limited ("Wuhu Plastic") and 100% equity interests in Shanghai Conch Construction Material International Trading Company Limited ("Conch International Trading") (together the "Three Companies") and the Company's issue of A shares to Anhui Conch Venture Investment Company Limited ("Conch Venture") as the consideration for the acquisition of 49% equity interests in Anhui Digang Conch Cement Co., Limited, 49% equity interests in Anhui Zongyang Conch Cement Co., Limited, 49% equity interests in Anhui Chizhou Conch Cement Co., Limited and 31.86% equity interests in Anhui Tongling Conch Cement Co., Limited, all of which were subsidiaries in which the Company had controlling interests.

Please refer to the relevant announcements of the Company published in Shanghai Securities Journal on 17 July 2006, 31 July 2006, 22 August 2006, 26 October 2006, 13 December 2006, 30 April 2007 and 29 May 2007, relevant announcements of the Company published on the respective websites of the Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited and the Company, and the 2007 Interim Report of the Company for details.

(2) The Company plans to issue not more than 200 million new A shares in 2007 and the amount of the proceeds will not exceed RMB12,037.52 million. Please refer to the relevant announcements of the Company published in Shanghai Securities Journal on 26 June 2007, 29 June 2007, 10 August 2007, 16 August 2007, and relevant announcements of the Company published on the respective websites of the Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited and the Company for details.

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

(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. These undertakings given by Conch Holdings and Conch Venture were performed during the Reporting Period.

(2) On 17 January 2007, Conch Holdings undertook that within four months after completion of the acquisition of assets in consideration of 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.

During the undertaking period, except for a property having a gross floor area 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 the Company RMB1,882,600 in cash which is determined with reference to the appraised value of the property of 4,388.16 square meters of RMB2,353,200 assessed by Beijing Guo You Da Zheng Asset Appraisal Company Limited as at the record date of 31 May 2006 and taking into account the proportion of equity interests in Wuhu Logistics acquired by the Company, hence arriving at the corresponding asset value of RMB1,882,600. Conch Holdings paid the Company for the said full amount on 20 September 2007.

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

☐ Applicable ☒ Not applicable

3.5 Other significant events to be explained

3.5.1 Shareholding of the Company in other listed companies

Stock code	Abbreviation	Number of shares held	Percentage of shareholdings at the company	Amount of initial investment (RMB)	Accounting item
600318	Chaodong Company	39,385,700	16.28%	97,676,536	available-for-sale financial asset
Total	--	--	--	97,676,536	--

3.5.2 Shareholding of the Company in non listed financial enterprises and companies under listing plans

☐ Applicable ☒ Not applicable

Note: The full versions of the Company's balance sheet, income statement and cash flow statement are published on the website of the Shanghai Stock Exchange at <http://www.sse.com.cn>

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

Wuhu City, Anhui Province, the PRC
26 October 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.