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)

Results for the year ended 31 December 2007

Revenue for year 2007 amounted to approximately RMB18,776 million (in accordance with International Financial Reporting Standards), representing an increase of 16.65% from that of 2006.

Net profit attributable to equity shareholders of the Company amounted to RMB2,480 million (in accordance with International Financial Reporting Standards), representing an increase of 60.66% from that of 2006.

Earnings per share for 2007 was RMB1.69 (in accordance with International Financial Reporting Standards), representing an increase of 39.67% from that of 2006.

Unless otherwise stated, the currency unit in this announcement refers to Renminbi, the lawful currency of the PRC; unless otherwise stated, the financial information in this announcement is prepared in accordance with the accounting standards generally accepted in The People's Republic of China ("PRC Accounting Standards").

I. BASIC CORPORATE INFORMATION OF THE COMPANY

1. Basic information

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 office address	209 Beijing East Road Wuhu City, Anhui Province

	The People's Republic of China ("PRC")
Postal code	241000
E-mail address	cement@conch.cn
Website	http://www.conch.cn

2. Persons and means of contact

	Secretary to the board (“Board”) of directors (“ Directors”) of the Company (Company Secretary)	**Securities affairs representative**
Name	Zhang Mingjing	Yang Kaifa
Contact address	209 Beijing East Road Wuhu City, Anhui Province	209 Beijing East Road Wuhu City, Anhui Province
Telephone number	0086-553-3118688	0086-553-3114546
Fax number	0086-553-3114550	0086-553-3114550
E-mail address	dms@conch.cn	dms@conch.cn

II. SUMMARY OF ACCOUNTING DATA AND OPERATION INFORMATION

1. Financial summary prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December

(RMB’000)

Item	**2007**	2006	2005	2004	2003
Revenue	18,776,098	16,096,057	13,385,677	10,975,786	7,374,227
Net profit attributable to equity shareholders of the Company	2,480,146	1,543,767	513,639	1,092,212	799,371
Total assets	30,921,284	22,737,644	20,024,756	16,744,017	13,688,119
Total liabilities	19,674,182	14,152,667	13,117,620	10,067,829	7,988,740

Note: In 2007, Anhui Conch Cement Company Limited (the “Company” or “Conch Cement”) changed accounting policies for business combination under common control from purchase method to pooling-of-interests method and made retrospective adjustments accordingly. In 2007, the Company acquired the subsidiaries of its holding company, Anhui Conch Holdings Company Limited ("Conch Holdings"). As it was deemed merger of entities under a common control. The comparatives for year 2003 to year 2006 were thus restated in the above table.

2． Accounting data prepared in accordance with PRC Accounting Standards

(1). Profit indicators for the year

（RMB'000）

Item	**Amount**
Operating profit	3,170,584
Profit before taxation	3,484,988
Net profit attributable to equity shareholders of the Company	2,494,219
Net profit after extraordinary items attributable to equity shareholders of the Company	2,285,784
Net cash generated from operating activities	2,668,807

(2). Extraordinary items and amount for the year

（RMB'000）

Extraordinary items	**Amount**
(1) Loss on disposal of long term equity investment and fixed assets	（5,462）
(2) Government subsidy income	220,828
(3) Reversal of welfare payable	13,994
(4) Impact of business combination under common control	53,566
(5) Other extraordinary items	16,085
(6) Effect of extraordinary items on income tax	(83,217)
(7) Effect of extraordinary items on minority interests	（7,359）
Total	208,435

（3）Items valued at fair value basis

（RMB'000）

Item	Balance brought forward	Balance carried forward	Changes during the year	Impact on the profit for the year
Available for sale financial assets	-	326,901,310	326,901,310	-
Financial liabilities held for trading	49,739,582	-	49,739,582	-
Total	49,739,582	326,901,310	326,901,310	-

Note：Net change in fair value of available for sale financial assets is recorded in capital reserve under PRC Accounting Standards, and financial liabilities held for trading are derecognized during the year due to settlements and there is no impact on profit due to changes in fair value.

(4). Major accounting data and financial indicators for the preceding three years

（RMB'000）

Items	**2007**	**2006**		**2005**	
		As restated	**As previously reported**	**As restated**	**As previously reported**
Revenue	18,776,098	16,096,057	15,372,175	13,385,677	10,869,391
Profit before taxation	3,484,988	2,586,279	2,498,309	1,062,430	861,374
Net profit attributable to shareholders of the Company	2,494,219	1,518,736	1,427,931	550,963	406,892
Net profit after extraordinary items attributable to shareholders of the Company	2,285,784	1,354,381	1,325,424	394,078	385,016
Basic earnings per share (RMB/share)	1.70	1.19	1.14	0.43	0.32
Diluted earnings per share (RMB/share)	1.70	1.19	1.14	0.43	0.32
Basic earnings per share after extraordinary items (RMB/share)	1.55	1.06	1.06	0.31	0.31
Diluted return on net assets (%)	22.51	20.61	20.25	9.08	7.12
Weighted average return on net assets (%)	26.39	22.60	22.38	9.31	7.28
Diluted return on net assets after extraordinary items (%)	20.63	18.38	18.80	6.49	6.74
Weighted average return on net assets after extraordinary items (%)	24.19	20.16	20.77	6.66	6.89

Net cash generated from operating activities	2,668,807	3,052,730	2,926,949	2,358,515	1,523,523
Net cash flows generated per share from operating activities (RMB/share)	1.70	2.39	2.33	1.84	1.21

	As at the end of 2007	As at the end of 2006		As at the end of 2005	
		As restated	As previously reported	As restated	As previously reported
Total assets	31,040,609	22,935,880	22,305,525	20,185,660	19,242,026
Total shareholders' equity attributable to shareholders of the Company	11,079,605	7,370,154	7,051,706	6,069,316	5,711,434
Net assets per share attributable to shareholders of the Company (RMB/share)	7.07	5.76	5.62	4.75	4.55

Comparison of major accounting data and financial indicators between 2007 and 2006

（RMB'000）

Items	2007	2006 (restated)	Increase/ decrease (%)
Revenue	18,776,098	16,096,057	16.65
Profit before taxation	3,484,988	2,586,279	34.75
Net profit attributable to shareholders of the Company	2,494,219	1,518,736	64.23
Net profit after extraordinary items attributable to shareholders of the Company	2,285,784	1,354,381	68.77
Basic earnings per share (RMB/share)	1.70	1.19	42.86
Diluted earnings per share (RMB/share)	1.70	1.19	42.86
Basic earnings per share after extraordinary items (RMB/share)	1.55	1.06	46.23
Diluted return on net assets on fully diluted basis (%)	22.51	20.61	9.22
Weighted average return on net assets (%)	26.39	22.60	16.77
Diluted return on net assets after extraordinary items (%)	20.63	18.38	12.24
Weighted average return on net assets after	24.19	20.16	19.99

extraordinary items (%)			
Net cash generated from operating activities	2,668,807	3,052,730	（12.58）
Net cash generated per share from operating activities (RMB/share)	1.70	2.39	（28.87）

	As at the end of 2007	**As at the end of 2006 (restated)**	**Increase/ decrease (%)**
Total assets	31,040,609	22,935,880	35.34
Total equity attributable to shareholders of the Company	11,079,605	7,370,154	50.33
Net assets per share attributable to shareholders of the Company (RMB/share)	7.07	5.76	22.74

Note: In accordance with the new "Accounting Standards for Enterprises" retrospective adjustment have been made to the relevant materials prepared in accordance with PRC Accounting Standards.

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

（RMB'000）

	Net profit		**Shareholder's equity**	
	1 January to 31 December 2007	**1 January to 31 December** 2006	**As at** 31 December 2007	31 December 2006
	(Audited)	(Audited) As restated	**(Audited)**	(Audited) As restated
As reported in the statutory financial statements under PRC Accounting Standards	2,494,219	1,518,736	11,079,605	7,370,154
－Reversal of valuation surplus of land use rights upon transformation of the Company and its subsidiaries (collectively called "the Group")	3,838	3,838	(152,225)	(156,063)
－Deferral of income tax credit for investments in domestic equipment under IFRS	(17,911)	18,508	(144,467)	(83,898)
－Others	-	2,685	-	-
As reported under IFRS	2,480,146	1,543,767	10,782,913	7,130,193

Note: Retrospective adjustments have been made to the relevant figures for 2006 prepared in accordance with the new PRC Accounting Standards and other relevant requirements. In addition, the accounting policy for the business combination under common control has been changed from purchase method to pooling-of-interest method under IFRS and the relevant figures for 2006 were adjusted retrospectively.

III Changes in Share Capital and Shareholdings

1. Changes in share capital

(Unit: Shares)

Class of shares	Before change		Increase/decrease (+, -)			After change	
	Number	Ratio (%)	Issue of new shares	Others	Subtotal	Number	Ratio (%)
I. Shares with trading restrictions	622,480,000	49.57	+310,754,193	−62,784,000	+247,970,193	870,450,193	55.57
1. State-owned legal person shares	622,480,000	49.57	+22,755,147	−62,784,000	−40,028,853	582,451,147	37.18
2. Other domestic shares	0	0	+287,999,046	0	+287,999,046	287,999,046	18.39
II. Shares without trading restrictions	633,200,000	50.43	0	+62,784,000	+62,784,000	695,984,000	44.43
1. RMB-denominated ordinary shares (“A Shares”)	200,000,000	15.93	0	+62,784,000	+62,784,000	262,784,000	16.78
2. Overseas-listed foreign shares (“H Shares”)	433,200,000	34.50	0	0	0	433,200,000	27.65
III. Total number of shares	**1,255,680,000**	**100**	**+310,754,193**	0	**+310,754,193**	**1,566,434,193**	**100**

1. During the year, the trading restrictions in respect of 62,784,000 floating A Shares held by State-owned legal person (Conch Holdings) expired;
2. During the year, the Company issued 22,755,147 and 287,999,046 A Shares to Conch Holdings and Anhui Conch Venture Investment Company Limited (“Conch Venture”) respectively which are subject to a lock-up period of 3 years.

2. Changes in Shares with trading restrictions:

(Unit:Shares)

Name of Shareholders	Number of Shares with trading restrictions at the beginning of the year	Number of Shares released from trading restrictions during the year	Increase in number of Shares with trading restrictions during the year	Number of Shares with trading restrictions at the end of the year	Reasons for release from trading restrictions	Date of release from trading restrictions

Conch Holdings	622,480,000	62,784,000	22,755,147	582,451,147	Share segregation reform and private issue of shares	3 March 2007; 25 May 2010
Conch Venture	—	—	287,999,046	287,999,046	Private issue	25 May 2010
Total	622,480,000	62,784,000	310,754,193	870,450,193	-	-

Notes:

1. The trading restriction for the 22,755,147 and 287,999,046 A Shares issued by the Company to Conch Holdings and Conch Venture respectively during the year will expire on 25 May 2010;

2. Commitments of Conch Holdings under the share segregation reform: the non-floating shares of the Company held by Conch Holdings shall not be traded or transferred within the 12-month period from the date (2 March 2006) on which its non-floating shares were granted the flotation right on the SSE, and the number of shares held by Conch Holdings in the Company to be sold through trading on the SSE shall not exceed 5% and 10% of the Company's total issued shares as at the time of implementation of the share segregation reform during the periods of 12 months and 24 months from the expiry date of the commitment period respectively. Pursuant to such commitment, 62,784,000 and 62,784,000 floating shares held by Conch Holdings with trading restrictions were listed and traded on 7 March 2007 and 3 March 2008 respectively, the remaining 496,912,000 shares with trading restrictions held by Conch Holdings will be listed and traded on 2 March 2009.

3. Shareholders

(1) As at 31 December 2007, the total number of shareholders was 9,375, of which 50 were holders of H Shares.

(2) As at 31 December 2007, the shareholdings of the top 10 shareholders and the top 10 holders of floating shares of the Company were as follows:

	Name of shareholder	Nature of shareholder	Number of share held at 31 December 2007	Percentage of shareholding (%)	Class of shares
1	Conch Holdings (Note 1)	State-owned	629,957,260	40.22	A Share
2	HKSCC Nominees Limited (Note 2)	Foreign	432,840,997	27.63	H Share
3	Conch Venture	Other	287,999,046	18.39	A Share
4	Rongtong New Blue Chip Securities Investment Fund	Other	9,272,992	0.59	A Share
5	China Construction Bank – Yinhua Selected Core Value Equity Investment Fund	Other	8,461,557	0.54	A Share
6	China Construction Bank – China AMC Advantage Growth Securities Investment Fund	Other	7,000,000	0.45	A Share
7	Industrial and Commercial Bank of China – Guangfa Stable Growth Securities Investment Fund	Other	6,826,316	0.44	A Share
8	Agricultural Bank of China – China Post Core Selected Stock Fund	Other	6,000,000	0.38	A Share
9	Industrial and Commercial Bank of China – Guangfa Strategic Aborative-select Composite Securities Investment Fund	Other	5,884,792	0.38	A Share
10	Industrial and Commercial Bank of China – Guangfa Jufeng Securities Investment Fund	Other	5,360,671	0.34	A Share
11	Industrial and Commercial Bank of China – China Universal Balanced Growth Securities Investment Fund	Other	5,144,256	0.33	A Share

Notes：

(1) Among the above-mentioned shareholders, Conch Holdings held 629,957,260 A Shares of the

Company, representing 40.22% of the total share capital of the Company; of which 47,506,113 A Shares were floating shares without trading restriction, representing 3.03% of the total share capital of the Company; and 582,451,147 A Shares were floating shares with trading restrictions. During theyear, Conch Holdings reduced its shareholding by 15,277,887 A Shares, representing 0.98% of the total share capital of the Company.

(2) HKSCC Nominees Limited held 432,840,997 H Shares, representing 27.63% of the total share capital of the Company, and 99.92% of the issued H share capital of the Company, on behalf of its various clients.

4. Information on the controlling shareholder and beneficial owners

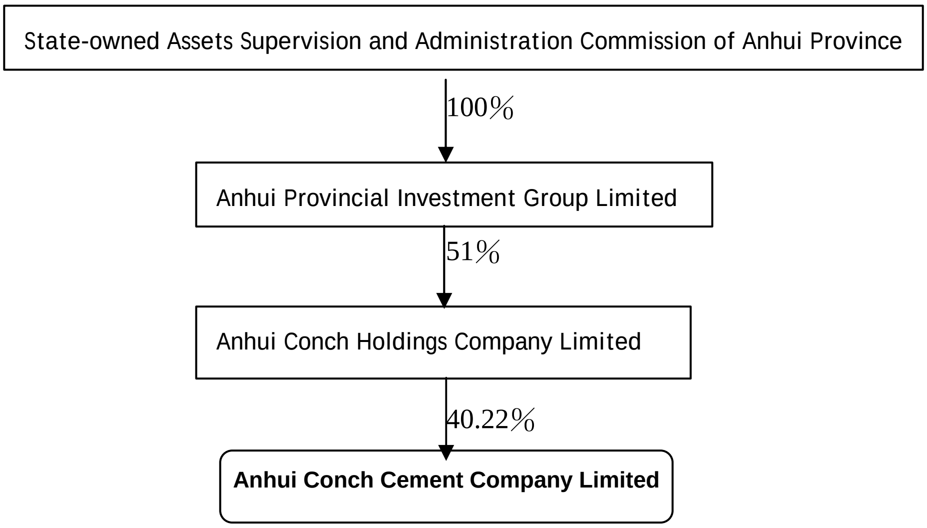
During the year, there was no change in the controlling shareholder and beneficial owners of the Company.

(1). Controlling shareholder of the Company

Name in English:	Anhui Conch Holdings Company Limited
Legal representative:	Guo Wensan
Date of establishment:	8 November 1996
Registered capital:	RMB800 million
Principal business activities:	Asset management, investment, financing, property transactions, construction materials, chemical and industrial products, transportation and warehousing, construction project, development and technical services of technical products, imports and exports trading, etc.

(2) Information on the controlling shareholder of the Company

Anhui Provincial Investment Group Limited ("Anhui Provincial Investment Group") is a state-owned company solely owned by State-owned Assets Supervision and Administration Commission of Anhui Province ("Anhui SASAC"), and accordingly, Anhui SASAC is the de facto controller of the Company. As at 31 December 2007, the shareholding relationship structure between the Company and Conch Holdings, Anhui Provincial Investment Group and Anhui SASAC was as follows:



5. Purchase, sale and redemption of listed securities of the Company

For the year ended 31 December 2007, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities of the Company.

IV. Information of Directors, Supervisors, Senior Management and Staff

1. Interests of Directors, Supervisors and senior management in share capital

None of the Directors, supervisors ("Supervisors") of the Company and their respective spouses and children under the age of 18 has any shares, debentures or other interests in the Company and its associated corporation as defined in the SFO, nor had they been granted any rights to subscribe for shares or debentures of the Company or its associated corporation as defined in the Securities and Futures Ordinance ("SFO") (Cap 571 of the Laws of Hong Kong). Such shares or interests shall be recorded in the register required to be kept and prepared by the Company under Section 352 of the SFO.

2. Remuneration of Directors, Supervisors and senior management for the year

（1）Remuneration received by Directors and Supervisors from the Company for the year:

Please refer to the section headed "Remuneration received by senior management from the Company for the year” for details of the remuneration received by Mr. Ren Yong, an executive Director and the general manager of the Company for the year. The remuneration received by Mr. Ding Junting, the Supervisor elected by staff from Wuhu Conch Cement Co., Ltd. (“Wuhu Conch”) (a wholly-owned subsidiary of the Company) in 2007 is set out below:

（RMB）

Name	**Position**	**Basic salary and allowances**	**Bonus**	**Pension**	**Total**
Ding Junting	Supervisor elected by staff	77,527	99,531	8,836	185,894

During the year, Mr. Guo Wensan, the chairman of the Company, Mr. Yu Biao, Mr. Li Shunan and Mr. Guo Jinbin, executive directors and Mr. Wang Jun, the chairman of the Supervisory Committee, did not receive any remuneration from the Company, and will not demand the Company for payment of remuneration for the year.

（2）During the year, no remuneration was paid to Mr. Kang Woon, Mr. Chan Yuk Tong and Mr. Ding Meicai, independent non-executive directors, and Mr. Wang Yanmou, external supervisor, other than the relevant allowances paid by the Company (as detailed below):

Name	**Position**	**Allowances (RMB）**
Kang Woon	Independent non-executive director	50,000
Chan Yuk Tong	Independent non-executive director	100,000
Ding Meicai	Independent non-executive director	50,000
Wang Yanmou	Supervisor	30,000
Total		**230,000**

（3） Remuneration received by senior management from the Company for the year

Name	**Position**	**Total remuneration for the year (RMB)**
Ren Yong	Executive director and general manager	548,078
Qi Shengli	Deputy general manager	866,648
Wang Pengfei	Deputy general manager	861,464
He Chengfa	Deputy general manager	865,042
Wang Jianchao	Deputy general manager	736,795
Zhang Mingjing	Deputy general manager and Secretary to the Board	839,442
	Total	**4,717,469**

Notes：1. The remunerations (inclusive of pension, medical and unemployment insurances) of the above-mentioned senior management were amounts before taxation.

2. Pursuant to the relevant requirements of State-owned Assets Supervision and Administration Commission of Anhui Province, as Mr. Ren Yong is also a director of Conch Holdings, his annual remuneration was pegged to the annual appraisal indicators of Conch Holdings.

V. Corporate Governance

During the year, the Company had complied with all the code provisions set out in Appendix 14 of the Code on Corporate Governance Practices to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

The financial statements and annual results for the year 2007 of the Company have been reviewed by the Audit Committee of the Board.

VI. Management Discussion and Analysis

BUSINESS ENVIRONMENT

In 2007, the macroeconomic economy of the PRC sustained robust and stable growth. GDP for the year grew by 11.4%, an increase of 1.1 percentage points over the previous year; the year-on-year nationwide increase in fixed assets investment was 24.8%, an increase of 0.8 percentage point over the previous year. The State introduced a series of fiscal and monetary austerity measures, it raised the reserve requirement ratio on 10 occasions and the interest rates on loans and deposits of banks on 6 occasions, in order to restrain monetary and credit growth. The Ministry of Finance and the State Administration of Taxation jointly announced the withdrawal of the export tax refund policy of certain merchandise, such as cement, in order to lower export volumes and curb the robust economic growth of the PRC from turning into overheating. *(Source: National Bureau of Statistics of China)*

In 2007, the State successively introduced the Energy Conservation Law and relevant laws and regulations regarding consolidated working proposal on energy conservation and pollution reduction plans, which have aroused community awareness of energy conservation, pollution reduction and environmental protection and accelerated the elimination of out-of-date cement production lines. During the year, out-of-date cement production lines with a production capability of 80 million tonnes were eliminated. Fixed assets investments in the cement industry resumed to its rational level. In 2007, the production capacity of the new dry processed cement amounted to approximately 80 million tonnes and rose to approximately 780 million tonnes at the end of 2007, with an increase in its proportion to the total production from approximately 50% last year to approximately 55% this year. In 2007, outputs of cement of the PRC amounted to 1.354 billion tonnes, an increase of 9.68% over 2006. Industry concentration further intensified, as evidenced by the proportion accounted for by the top ten cement manufacturers in total industrial output which increased to 23%. Meanwhile, recycling economics is vigorously developing in the cement industry. In 2007, completion of the installed capacity with pure low-temperature residual heat electricity generation of approximately 530,000 kw played an important role in energy conservation, pollution reduction and environmental protection in the industry. *(Source: Digital Cement)*

ANALYSIS OF OPERATION

Operations

In 2007, the Group upheld the principle of scientific development and seized the opportunity afforded by the accelerated structural adjustment of the cement industry and the steady increase in demand of cement, with an aim of “energy saving, optimization and upgrade, pollution reduction and environmental protection", the production and operation management of the Company was steadily enhanced. As a result, all of our economic and technical indicators were ahead of our peers in the industry; production lines for cement and clinker and the residual heat electricity generation projects have been completed and put into operation as scheduled; and our output and sales volumes, operating income and profit maintained steady growth. The Company attained record high in overall efficiency level.

During the year, the Group's revenue from principal activities under the PRC Accounting Standards amounted to RMB18.511 billion, net profit attributable to shareholders of the Company amounted to RMB2.494 billion and earnings per share was RMB1.70. Revenue from sales of cement and commodity clinker under IFRS amounted to RMB18.511 billion, profit after taxation and minority interests amounted to RMB2.48 billion and earnings per share was RMB1.69.

Production

During the year, the Group's output sustained steady growth, it produced a total of 69.87 million tonnes of clinker, representing a year-on-year increase of 15.76%, and 64.1 million tonnes of cement, representing a year-on-year increase of 12.59%.

In 2007, the Group focused on "energy conservation and pollution reduction", cost management was promoted, new energy-saving and environmentally friendly technologies were introduced and energy-saving technology innovation was implemented. Weak points were better addressed to relieve bottlenecks in production, which led to an average utilization rate of over 90% for main equipment. Frequency conversion and speed adaptation were completed for 15 large wind turbines to reduce electricity consumption per tonne of clinker, leading to energy savings in consumption of 17 million kwH during the year.

At the same time, the Group enhanced the professional technology management level of the Group continuously by capitalising on the functions of the professional technology management committees, such as craftsmanship, mine and equipment committees. During the year, the standardisation of the operation management of residual heat electricity generation was emphasized by enhancing the training of operational skills, the high operational efficiency of residual heat electricity generation was thereby safeguarded, with an average electricity generating capacity of 40 kwH/tonne of clinker.

In 2007, the Group paid special attention to take corresponding rectification measures proactively in resolving certain issues existing in our environmental protection management work, in particular, subsequent to the inspection by the State Environmental Protection Administration of China in respect of the failure of Wuhu Conch's first production line to meet environmental protection requirements within prescribed time which were later rectified by taking certain relevant measures actively and certified for acceptance on 30 September 2007. At the same time, the Company took advantage of such opportunity to tidy up the Group's environmental protection management in all aspects, the environmental protection management system and management setup were further improved, the operational efficiency of environmental protection facilities was upgraded and the relevant environmental protection approval procedures of project construction and commencement of operation were strictly complied with. During the year, the Group successfully passed the environmental assessments of the State Environmental Protection Administration of China in respect of re-financing projects.

At the same time, as for the management of project construction, the Group upgraded the efficiency of preparation work for projects and standardised supervision over construction processes through continual process optimisation in order to fully control total investment amount, work progress and construction quality. In 2007, project investment of RMB 5.817 billion was completed. Six production lines with a daily production capacity of 5,000 tonnes of clinker and 20 cement mill systems commenced production and 7 residual heat electricity generation units were put into operation phase by phase as scheduled, all of which have attained their respective production capacities and targets.

By the end of 2007, our production capacity for clinker and cement amounted to 69 million tonnes and 81 million tonnes respectively, and our total installed capacity of residual heat electricity reached 168,900 kw, representing 31% of the total installed capacity of residual heat power of the cement industry nationwide.

Sales

During the year, the aggregate sales volume of the Group's cement and clinker amounted to 86.52 million tonnes, a year-on-year increase of 14.57%.

In 2007, the Group focused further on market trends analysis and seized the opportunities arising from the growth in demand owing to infrastructure of provinces in the middle part of China and construction of new rural areas to develop the domestic market. In the course of ensuring full utilization of its production capacity and maximisation of its market share, selling prices were raised based on stage-by-stage changes in market demand. Meanwhile, by overcoming unfavourable factors such as the withdrawal of the export tax refund policy, appreciation of Renminbi and continual rise in freight rates, we took the initiative to explore the international market, our export volume remained almost at the same level as the previous year and our share of the international market was maintained.

During the year, the Company's strategy of developing the South China market continued to yield admirable results, as evidenced by the continual increase in market share. The Group's sales amount in Central and South China regions increased by 50.46% and 59.64%, respectively.

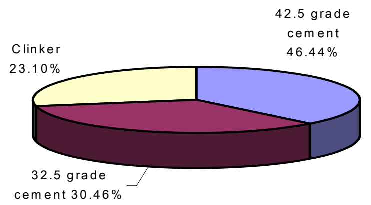
Regional sales volumes

Region	2007 Sales amount (RMB'000)	2007 Percentage (%)	2006 Sales amount (RMB'000)	2006 Percentage (%)	Increase/decrease of percentage in sales amount (%)	Increase/(decrease) in percentage points
East China (Jiangsu, Zhejiang, Shanghai, Fujian）	**7,325,028**	**39.57**	**6,580,483**	**43.16**	**11.31**	(3.59)
Central China (Anhui, Jiangxi, Hunan）	**4,636,892**	**25.05**	**3,081,793**	**20.21**	**50.46**	4.84
South China (Guangdong, Guangxi)	**3,626,334**	**19.59**	**2,271,553**	**14.90**	**59.64**	4.69
Export	**2,922,962**	**15.79**	**3,312,448**	**21.73**	**(11.76)**	(5.94)
Total	**18,511,216**	**100**	**15,246,277**	**100**	**21.41**	-

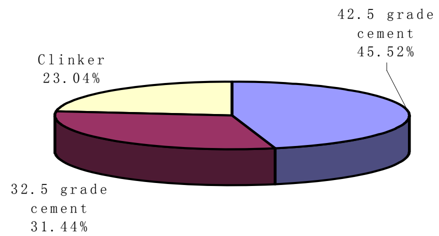
During the year, the proportions of sales amount of commodity clinker, 32.5 grade cement and 42.5 grade cement were basically constant over the previous year. The overall selling prices of the Group's products increased by 5.97% over the previous year.

Percentage of sales by type of products

2007



2006



Profit

In 2007, the Group's revenue from principal activities under the PRC Accounting Standards amounted to RMB18.511 billion, an increase of 21.41% over the previous year; net profit attributable to shareholders of the Company amounted to RMB 2.494 billion, an increase of 64.23% over the previous year. Revenue from cement and commodity clinker under IFRS amounted to RMB18.511 billion, an increase of 21.41% over the previous year; our profit after taxation and minority interests amounted to RMB2.48 billion, an increase of 60.66% over the previous year. Our profit enjoyed a substantial increase over the previous year was mainly attributable to increases in sales volumes and prices, as well as the Group's efforts in reducing various types of consumption and exercising stringent cost control.

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

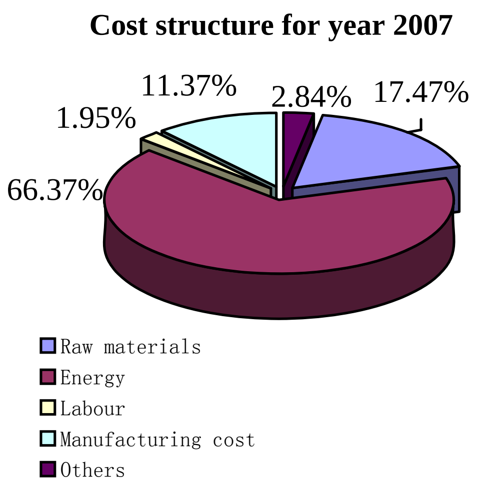
Item	**2007 (RMB'000)**	2006 (**RMB'000**)	**Increase (+) Decrease (-)** (%)
Revenue from principal activities	**18,511,216**	15,246,277	**21.41**
Profit from principal activities	**5,698,591**	4,395,275	**29.65**
Total Profit	**3,484,988**	2,586,279	**34.75**

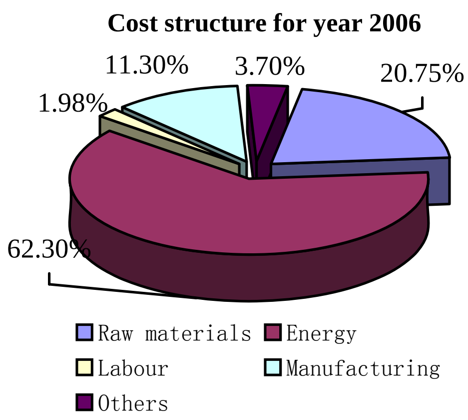
Net profit attributable to shareholders of the Company	**2,494,219**	1,518,736	**64.23**
Net cash flow generated from operating activities	**2,668,807**	3,052,730	**(12.58)**

Major items in the income statement prepared in accordance with IFRS

Item	**2007 (RMB'000)**	2006 **(RMB'000)**	**Increase （+） Decrease （-） (%)**
Revenue from cement and commodity clinker	**18,511,216**	15,246,277	21.41
Gross profit	**5,728,911**	4,486,282	27.70
Profit before taxation and minority interests	**3,501,423**	2,604,845	34.42
Profit after taxation and minority interests	**2,480,146**	1,543,767	60.66

During the year, the consolidated average costs of the Group rose slightly. Energy expenses accounted for 66.37% of the total costs, an increase of 4.07 percentage points over the previous year, which was mainly due to increases in coal prices. The Group had 11 residual heat electricity generation units in operation as at the end of 2007 and saved costs of approximately RMB280 million, which has effectively mitigated the pressure on production costs brought about by increases in coal prices.





During the year, benefited by increases in sales volumes and prices of products, the year-on-year increase of the Group's revenue from principal activities was 21.41%, with gross margin increased by 1.98 percentage points over the previous year, of which the year-on-year increase of revenue from principal activities in relation to cement was 21.33%, with gross margin increased by 3.67 percentage points over the previous year; the year-on-year increase of revenue from principal activities in relation to commodity clinker was 21.70%. Nevertheless due to the increase in prices of coal which rendered an increase in cost of clinker, the gross margin of clinker decreased by 3.64 percentage points.

2007 gross profit by products and comparison

Product type	**Revenue from principal operations** (RMB'000)	**Cost of principal operations** (RMB'000)	**Gross profit margins** (%)	**Changes in revenue from principal operations over last year** (%)	**Changes in cost of principal operations over last year** (%)	**Change of percentage points in gross margins over last year**
Cement	14,235,898	9,541,086	32.98	21.33	15.03	3.67
Clinker	4,275,318	3,137,459	26.61	21.70	28.05	(3.64)
Total	**18,511,216**	**12,678,545**	**31.51**	**21.41**	**18.00**	**1.98**

During the year, the aggregate proportion of the Group's three major expenses on sales was basically the same with the previous year, of which, the percentage of selling expenses and the percentage of financial expenses were lower than that of last year, whilst the percentage of administrative expenses was slightly higher than that of last year. It was mainly due to rises in staff salaries, insurance premium and environmental protection costs during the year.

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

Expenses for the year	**Amount (RMB'000)**		**As a percentage of revenue from principal activities (%)**		**Changes (%)**
	2007	**2006**	**2007**	**2006**	
Selling expenses	1,219,228	1,090,766	6.49%	6.78%	(0.29)
Administrative expenses	720,757	518,299	3.84%	3.22%	0.62
Financial expenses (net)	607,127	523,373	3.23%	3.25%	(0.02)

Total	2,547,112	2,132,438	13.57%	13.25%	0.32

ANALYSIS OF FINANCIAL POSITION

Assets and Liabilities Structure

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

Item	**2007** (RMB'000)	2006 (RMB'000)	**Increase/ (decrease)** (RMB'000)	**Changes** (%)
Fixed assets	18,860,176	14,982,497	3,877,679	25.88
Current and other assets	12,180,433	7,953,383	4,227,050	53.15
Total assets	31,040,609	22,935,880	8,104,729	35.34
Current liabilities	9,600,434	6,832,145	2,768,289	40.52
Non-current liabilities	9,892,411	7,233,881	2,658,530	36.75
Minority interests	468,159	1,499,701	(1,031,542)	(68.78)
Total equity attributable to equity shareholders of the Company	11,079,605	7,370,154	3,709,451	50.33
Total liabilities and shareholders' equity	31,040,609	22,935,880	8,104,729	35.34

During the year, with the optimisation of the loan structure of the Group, gradual completion of construction projects and increase in profit level, our financial position further improved.

As at 31 December 2007, the Group's total assets prepared in accordance with the PRC Accounting Standards amounted to RMB31.041 billion, an increase of 35.34% over the previous year. It was mainly due to the addition and expansion of projects during the year. Net assets attributable to shareholders of the Company amounted to RMB11.080 billion, an increase of RMB3.709 billion over the end of the previous year; total liabilities amounted to RMB19.493 billion, an increase of RMB5.427 billion over the end of the previous year.

As at 31 December 2007, the Group's current and other assets prepared in accordance with the PRC

Accounting Standards increased by RMB4.227 billion over the end of the previous year. It was mainly due to increase in construction materials, available-for-sale financial assets and bills receivable. The Group's non-current liabilities increased by RMB2.659 billion over the end of the previous year, which was mainly due to increase in long-term borrowings.

As at 31 December 2007, the Group's total current assets prepared in accordance with the PRC Accounting Standards amounted to RMB6.987 billion and total current liabilities amounted to RMB9.6 billion, and the current ratio arrived at by dividing current assets over current liabilities was 0.73:1.

As at 31 December 2007, the Group's minority interests prepared in accordance with the PRC Accounting Standards decreased by RMB1.032 billion which was mainly due to the acquisition of minority interests of four of our subsidiaries by the Company in 2007.

As at 31 December 2007, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 62.8%, an increase of 1.47 percentage points over the end of the previous year. It was mainly due to increase in loans. The net debt ratio calculated in accordance with the IFRS was 1.19, a slight increase over the end of the previous year.

During the year, the Group actively improved its loan structure, enhanced its current ratio as well as controlled its financial risks stringently. Reasonable financing was arranged at the premise of ensuring the requirements of our normal production and operations and capital expenditure. Thus, the interest coverage ratio rose to 5.69, which was higher than that of the previous year.

Liquidity and sources of funds

Maturity analysis of the Group's bank loans as at 31 December 2007 was as follow:

	As at 31 December 2007 (RMB'000)	**As at 31 December 2006 (RMB'000)**

Due within 1 year	4,937,633	3,457,380
Due after 1 year but within 2 years	4,265,300	2,348,939
Due after 2 years but within 5 years	4,324,000	3,839,800
Due after 5 years	1,232,727	980,000
Total	14,759,660	10,626,119

As at the end of the year, the Group's loans which were due within 1 year included discounted bank acceptance bills of RMB579 million which were not yet due and trade acceptance bills of RMB430 million. Without taking into account the above factors, the percentage of long-term loans increased from 67.46% at the end of 2006 to 71.43% at the end of 2007.

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

	2007 (RMB'000)	2006 **(RMB'000)**
Net cash flows from operating activities	2,668,807	3,052,730
Net cash flows from investment activities	(5,735,330)	(3,318,587)
Net cash flows from financing activities	3,142,997	117,685
Increase in cash and cash equivalents	76,474	(148,172)
Cash and cash equivalents at the beginning of the year	1,335,233	1,483,405
Cash and cash equivalents at the end of the year	1,411,707	1,335,233

During the year, the Group seized the favourable opportunity created by steady increase in market demands by raising prices when sales volume rose significantly, resulting in a significant increase in cash inflow from operations over last year. However, the significant rise in the percentage of bank acceptance bills received which were not included in cash flow. During the year, net cash flows from operating activities amounted to RMB2.669 billion, a decrease of RMB384 million over last year. Net cash and cash equivalents increased by RMB76.47 million over the previous year which was mainly due to increase in additional bank loans.

Capital Expenditure

During the year, total investment activities and capital expenditure of the Group amounted to RMB5.817 billion, which was used in the construction of cement and clinker production lines and the residual heat electricity generation projects.

As at 31 December 2007, the Group's investment in associates amounted to RMB163 million.

As at 31 December 2007, capital commitments in respect of the purchase of machinery and equipment from suppliers that were committed but have not been provided for in the financial statements were as follows:

	As at 31 December 2007 (RMB'000)	**As at 31 December 2006 (RMB'000)**
Authorised and contracted for	**2,877,795**	**2,210,776**
Authorised but not contracted for	**6,148,976**	**2,262,920**
Total	**9,026,771**	**4,473,696**

Outlook for 2008

In 2008, the State will pursue a prudent and sound fiscal policy and tight monetary policy and focus more on strengthening and improving macroeconomic realignment, which will facilitate further changes in the manner of economic growth, realising steady and robust economic growth. On the basis of structural optimisation, efficiency enhancement, consumption reduction and environmental protection, structural realignment of the cement industry will further accelerate while industry concentration will gradually intensify.

In 2008, nationwide fixed asset investment will maintain an appropriate growth. Driven by the construction in new rural areas as well as the set up for infrastructure in the middle part of China, the scale of investment in construction will be further expanded, in particular, the gradual commencement of large scale key construction projects, such as high speed rail, highway, airport and port and nuclear power station will become the momentum for the rise in demand for cement. The official implementation of the new standards for cement on 1 June 2008 will foster the elimination of out-of-date cement production capacity. The reduction in enterprise income tax rate to 25% will also be beneficial to the rise in corporate profit.

On the other hand, rises in prices of energy, such as oil and coal and appreciation of Renminbi will have certain adverse effects on the cost controls and exploration of international markets of the enterprises.

In 2008, the Group, by adhering to the principle of placing equal importance to efficiency and market share, will enhance its internal management level, implement regional management model, study in depth and grab market trends, optimise market structure, stabilise and gradually raise the market prices and increase quality of sales so as to enhance its overall competitive strengths.

Faced with the trend of rising coal prices, the Company will adopt effective measures in establishing strategic cooperation relationship with large coal enterprises to widen coal supply channels, safeguard continuous coal supplies and increase efforts in technology renovation in order to facilitate energy conservation and pollution reduction, to reduce energy consumption per unit and to minimise adverse effects on costs brought by rising of coal prices.

In addition, the Group will continue to promote the applications of all new technologies on energy conservation and environmental protection and commit fully in driving the construction of residual heat electricity generation and urban waste treatment projects. In 2008, the Group will have 19 residual heat electricity generation projects put into operation, which will increase the residual heat electricity generating capacity of the Group to 493,000 kw, generating 3,790 million kwH of electricity per year. This will not only reduce production costs significantly, but also enhance the operating efficiency of the Company, with significant contributions to improve the environment. In terms of thermal power, this represents approximately 1.36 million tonnes of standard coal saved and

3. 3 million tones of carbon dioxide reduced.

In 2008, the Group will further expand its scale of operation by continuing the construction of eight production lines with a daily production capacity of 5,000 tonnes of clinker and one production line with a daily production capacity of 2,500 tonnes of clinker and 20 sets of cement mill system. It is expected that production capacity of 14 million tonnes of clinker and 15 million tonnes of cement will be increased upon the full operation of the construction projects. Meanwhile, the Group intends to construct a number of clinker and mill production lines in districts such as Anhui, Jiangsu, Fujian, Guangdong and Guangxi.

In 2008, according to the development plans of the Company, the planned capital expenditure is approximately RMB7 billion, which will mainly be sourced from internal funds and bank loans. If the Company can successfully proceed with the public offering of A shares, part of the expenditure will be funded by the proceeds from the share issue. Currently, the average bank loan annual interest rate of the Group is approximately 5.98%.

The management estimated that the sales volume of the Group will exceed 100 million tonnes in 2008 with corresponding growth in sales revenue being maintained. Affected by the increase in loan interest rates, it is estimated that the increase in financial expenses will be greater and the aggregate proportion of the three major expenses to operating revenue will increase slightly, consolidated average product costs will not have significant change over last year.

In future, despite the co-existence of favourable and unfavourable factors, the management of the Company will meet challenges, overcome hardship, grasp opportunities with confidence. They will implement the development plans of the Company with a view to creating value for investors with excellent operating results and building Conch into an internationally renowned brand enterprise.

The management of the Company would like to express their sincere appreciation to the shareholders and investors for their encouragement and support.

VII. REPORT OF THE DIRECTORS

1. Dividend

Based on the financial data prepared in accordance with the PRC Accounting Standards and the IFRS, the Group's profit after tax and minority interests for 2007 amounted to RMB2,494.22 million and RMB2,480.15 million respectively. In view of the substantial capital requirements of the Company for a number of proposed construction projects in 2008 with a capital expenditure of RMB7.0 billion and the uncertainty in the schedule for the implementation of the public issue, the Board did not recommend any profit distribution for the year ended 31 December 2007. Parts of the fund will be used for investment in the construction of new dry process cement clinker production lines, residual heat electricity generation projects and energy-saving technology innovation projects, to further expand the production capacity of the Company and realise energy conservation and pollution reduction, so as to enhance the competitiveness of the Company.

The above proposal is subject to consideration and approval by the annual general meeting for 2007.

2. Principal investments during the year

（RMB'000）

Item	Project name	Progress	Capital Committed during the year
1	The technology innovation project of a clinker production line with a daily production capacity of 4,000 tonnes and the cement mill project with a capacity of 1.6 million tonnes of Beiliu Conch Cement Company Limited ("Beiliu Conch")	In operation	323,998
2	The two clinker production lines (phase two) with a daily production capacity of 5,000 tonnes and the cement mill project with a capacity of 3.2 million tonnes of Wuhu Conch Cement Company Limited ("Wuhu Conch")	In operation	195,093
3	The two clinker production lines with a daily production capacity of 5,000 tonnes and the cement mill project with a capacity of 1.6 million tonnes of Anhui Xuancheng Conch Cement Co., Ltd. ("Xuancheng Conch")	In operation	466,802
4	The two clinker production lines (phase three) with a daily production capacity of 4,500 tonnes of Anhui Chizhou Conch Cement Company Limited("Chizhou Conch")	In operation (note 1)	631,603
5	The clinker production line (phase two) with a daily production capacity of 4,500 tonnes and the cement mill project of Fusui Xinning Conch Cement Company Limited (" Xinning Conch")	In operation	342,628
6	The cement mill project with a capacity of 2.40 million tonnes of Bengbu Conch Cement Company Limited	In operation	70,504
7	The cement mill project (phase one) with a capacity of 1.60 million tonnes of Zhanjiang Conch Cement Company Limited ("Zhanjiang Conch")	In operation	185,314
8	The cement mill project with a capacity of 3.20 million tonnes and the pier project of Ninghai Qiangjiao Conch Cement Company Limited	In operation	116,691

9	The cement mill project (phase two) with a capacity of 1.60 million tonnes of Jiangsu Baling Conch Cement Company Limited	In operation	36,045
10	Residual heat electricity generation projects of Anhui Digang Conch Cement Co., Ltd. ("Digang Conch"), Chizhou Conch, Anhui Tongling Conch Cement Co., Ltd. ("Tongling Conch") and Anhui Zongyang Conch Cement Co., Ltd. ("Zongyang Conch")	In operation	881,946
11	The technology innovation of the two clinker production lines (phase three) with a daily production capacity of 4,500 tonnes of Digang Conch	Under construction (note 2)	271,378
12	The technology innovation of the clinker production line (phase two) with a daily production capacity of 4,000 tonnes of Xing'an Conch Cement Co. Ltd.	Under construction	49,550
13	The clinker production line (first phase) with a daily production capacity of 4,500 tonnes of Yiyang Conch Cement Company Limited ("Yiyang Conch")	Under construction	261,097
14	The clinker production line (phase two) with a daily production capacity of 4,500 tonnes and the cement mills system of Shuangfeng Conch Cement Co., Ltd. ("Shuangfeng Conch")	Under construction	129,908
15	The clinker production line (first phase) with a daily production capacity of 5,000 tonnes and the cement mill of Shimen Conch Cement Company Limited ("Shimen Conch")	Under construction	205,849
16	The clinker production line (first phase) with a daily production capacity of 4,000 tonnes of Hunan Conch Cement Co., Ltd.	Under construction	57,118
17	The clinker production line (phase two) with a daily production capacity of 2,500 tonnes of Fenyi Conch Cement Co., Ltd.	Under construction	19,689
18	The cement mill project with a capacity of 3.2 million tonnes of Tongling Conch	Under construction	72,125
19	Residual heat electricity generation projects of Xuancheng Conch, Beiliu Conch, Xinning Conch, Shuangfeng Conch and Shimen Conch	Under construction	123,906
20	The cement equipment and spare parts processing centre project of Anhui Conch Machinery & Electric Company Limited	Under construction	92,011

Note: 1. The second clinker production line (phase three) with a daily production capacity of 4,500 tonnes of Chizhou Conch has been put into operation in March 2008.

2. The first clinker production line (phase three) with a daily production capacity of 4,500 tonnes of Digang Conch has been put into operation in January 2008.

VIII. Significant Events

1、Material acquisitions

（1）Acquisition of Chaodong Company

On 2 June 2006, the Company entered into the share transfer agreement ("Share Transfer Agreement") with Anhui Chaodong Cement Holdings Company Limited ("Chaodong Group"), pursuant to which, the Company acquired 39,385,700 shares of Anhui Chaodong Cement Company Limited ("Chaodong Company") held by Chaodong Group at a total consideration of RMB93.738 million, equivalent to

RMB2.38 per share.

On 20 November 2006, the State-owned Assets Supervision and Administration Commission of the Anhui Province granted its consent by way of the document WGZCQH[2006] No.453 on the "Approval for the Transfer of Shares in Anhui Chaodong Cement Company Limited to Anhui Conch Cement Company Limited", in respect of the acquisition by the Company of the 39,385,700 shares of Chaodong Company held by Chaodong Group, the transfer price was adjusted from RMB2.38 per share to RMB2.48 per share; the total consideration was thereby adjusted from RMB93.738 million to RMB97.6765 million (the "Chaodong Company Acquisition").

On 13 April 2007, the Chaodong Company Acquisition was approved by China Securities Regulatory Commission ("CSRC") (Zheng Jian Gong Si Zi [2007] No. 67), and the registration of the shares with the Shanghai branch of China Securities depository and Clearing Corporation Limited ("CSDCCL Shanghai Branch") was completed on 1 June 2007. On 9 May 2007, the total consideration and relevant taxes was paid by the Company to Chaodong Group for the transfer of 39,385,700 shares of Chaodong Company (representing approximately 16.28% of the current total issued shares of Chaodong Company) which amounted to RMB98,019,695, representing 22.57% of the total profit of the Company during the year.

Pursuant to the Share Transfer Agreement, the Company shall not trade in the aforesaid 39,385,700 shares within three years from the date of holding such shares. According to the valuation by Jones Lang LaSalle Sallmanns, as at 31 December 2007, the fair value of the 39,385,700 shares of Chaodong Company held by the Company was RMB326,901,310, which was treated as "available-for-sale financial assets" under the requirement of the PRC Accounting Standards. RMB228,881,615 is recorded in capital reserve under PRC Accounting Standards, which is being the difference between the fair value of RMB326,901,310 and the investment cost of RMB98,019,695.

The Chaodong Company Acquisition constituted a connected transaction under the Listing Rules of SSE, but did not constitute a connected transaction under the Listing Rules of the Stock Exchange. The Chaodong Company Acquisition did not affect the continuity of the operations and the stability of the management of the Company and did not have any significant impact on the financial position and operating results of the Company.

(2) Issue of Shares for Purchase of Assets

Pursuant to an assets purchase agreement entered into between the Company and Conch Holdings on 21 August 2006, the Company intended to issue A Shares to Conch Holdings as the consideration for the acquisition of the 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") (collectively, the "Three Companies"). The consideration for the acquisition of the Three Companies from Conch Holdings was determined by the net asset valuation method. Based on the asset valuation report as at 31 May 2006 issued by China Faith Appraisers Co., Ltd. ("China Faith"), the total consideration for the acquisition of the Three Companies from Conch Holdings by the Company was determined at RMB302.6435 million. The Company intended to issue 22,755,147 A Shares to Conch Holdings at an issue price of RMB13.30 per share as the consideration for the purchase of assets.

Pursuant to another asset purchase agreement ("Assets Purchase Agreement") entered into between the Company and Conch Venture on 21 August 2006, 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 (collectively, the "Four Companies"), being subsidiaries in which the Company has controlling interests. The price at which the equity interests of the Four Companies were purchased from Conch Venture was determined by the reasonable price-earnings ratio method and the asset valuation method, which was determined at RMB3,830.3873 million. The Company intended to issue 287,999,046 A Shares at an issue price of RMB13.30 per share as the consideration for the purchase of assets.

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 [2007] No. 74), the issue of shares by the Company as considerations 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 [2007] No. 75), 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 with Conch Holdings and Conch Venture. Ascenda Certified Public Accountants, Ltd. issued a capital verification report in respect of the shares issued (Ascenda Yan [2007] GF Zi No. 070004). On 25 May 2007, the registration of the issue of such new shares with CSDCCL Shanghai Branch was completed.

The acquisition of assets by the issue of shares constituted a connected transaction under both the Listing Rules of SSE and the Listing Rules of the Stock Exchange.

The issue of shares for acquisition of assets enhanced the level of profit of the Group and did not affect the continuity of the operations and the stability of the management of the Company.

2 Material connected transactions

（1） Use of trademark

On 23 September 1997, the Company and its holding company, Conch Holdings entered into the trademark licensing agreement ("Trademark Licensing Agreement"), pursuant to which the Company may use the trademarks (including trademarks such as "海螺" and "Conch") on permitted products in permitted regions pursuant to the period as set out in the terms of the Trademark Licensing Agreement. The validity period of the Trademark Licensing Agreement shall be the same as the validity period of the permitted trademarks, and should the validity period of permitted trademarks be extended, the Trademark Licensing Agreement in respect of the trademarks shall be extended automatically. Pursuant to Trademark Licensing Agreement, the Company is required to pay RMB1.513 million for the use of the trademark to the holding company per year. The Company has paid the fee to the holding company for the use of the trademark during the year. Pursuant to the Listing Rules of the Stock Exchange and the Listing Rules of the SSE, the connected transaction is not subject to the announcement and the independent shareholders' approval requirements.

（2）Composite services

The Company and its holding company, Conch Holdings entered into the composite services contract ("Composite Services Contract") for a term of 10 years commencing from 1 September 1997 (being date of establishment of the Company). The composite services provided by the holding company to the Company include landscaping, education, medical, labour insurance and security. During the year, the Group was required to pay the holding company a fee of RMB3.26 million pursuant to the Composite Services Contract, which was paid by the Company in the year. Pursuant to the Listing Rules of the Stock Exchange and the Listing Rules of the SSE, the connected transaction is not subject to the announcement and the independent shareholders' approval requirements.

The above Composite Services Contract expired on 31 August 2007. During the validity period of the Composite Services Contract, as a result of the continuous deepening of the reform of state-owned enterprises by the PRC government, all labour service as well as industrial companies of Conch Holdings were cancelled and community auxiliary organisations operated by enterprises, such as hospitals and schools were also reformed. Anhui Conch Engineering Construction and Installation Company Limited has become a subsidiary of the Company. At present, as there is no need for the Company and Conch Holdings to provide large volume of composite services to each other, it is, therefore, unnecessary to enter into agreement for composite services. In respect of the composite services of insignificant volume required by either party to be provided by the other, they will be provided and settled on normal commercial terms prevailing on the market.

（3）Procurement of clinker

On 29 June 2007, as approved by the Board of the Company, Jiangmen Conch Cement Co., Ltd. ("Jiangmen Conch"), a wholly-owned subsidiary of the Company, and Yingde Longshan Cement Co., Ltd ("Longshan Company") entered into the clinker procument agreement ("Clinker Procurement Agreement") for the procurement of clinker by Jiangmen Conch from Longshan Company. The term of the agreement commenced from 29 June 2007 and expired on 31 December 2007.

The selling price of clinkers was determined with reference to market prices, and after negotiation between the Group and Longshan Company, which shall not be higher than that offered to other independent customers by Longshan Company. Jiangmen Conch will mainly consider the cost, product quality, market demand and the price of similar products offered by other third parties in the same area in determining whether the Group would procure clinker from Longshan Company or other independent suppliers.

Jiangmen Conch would settle the payment for clinker procured from Longshan Company from its working capital on a monthly basis. During the year, Jiangmen Conch procured 158,900 tonnes of clinker from Longshan Company which amounted to RMB29.79 million, which has not exceeded the procurement amount prescribed under the Clinker Procurement Agreement.

(4) Procurement of spare parts and production ancillary materials

On 29 June 2007, as approved by the Board of the Company, Prosperity Conch Cement Co., Ltd. ("Prosperity Conch"), a subsidiary of the Company, and Longshan Company entered into the spare parts and production ancillary material procurement agreement ("Spare Parts and Production Ancillary Materials Procurement Agreement") in relation to the mutual procurement of spare parts and production ancillary materials between Prosperity Conch and Longshan Company. The term of the agreement commenced from 29 June 2007 and expired on 31 December 2007. It was estimated that the amount of mutual procurement of spare parts and production ancillary materials between Prosperity Conch and Longshan Company in 2007 would not exceed RMB10 million and RMB10 million, respectively, and the aggregate amount would not exceed RMB20 million. Both Prosperity Conch and Longshan Company would continue to procure spare parts and production ancillary materials from other suppliers if their respective supplies were not sufficient.

The selling prices of spare parts and production ancillary materials offered by Prosperity Conch and Longshan Company respectively were the prices they procured from their respective suppliers.

The payment for spare parts and production ancillary materials mutually procured between Prosperity Conch and Longshan Company would be settled from their respective working capital on a monthly basis. During the year, the procurement amount for spare parts and production ancillary materials between Prosperity Conch and Longshan Company were RMB2.58 million and RMB4.66 million respectively, which have not exceeded the procurement amounts prescribed under the Spare Parts and Production Ancillary Materials Procurement Agreement.

（5） Residual heat electricity generation projects

On 8 May 2007, as approved by the Board of the Company, the Company and Anhui Conch Kawasaki Engineering Company Limited ("Conch Kawasaki") entered into an supply and design of equipment contract pursuant to which Conch Kawasaki would provide a whole set of equipment and design services for the construction of residual heat electricity generation projects for 4 subsidiaries (branch company) of the Company, including Wuhu Conch. The aggregate contract amount was RMB355.2

million.

On 29 June 2007, as approved by the Board of the Company, the Company and Conch Kawasaki entered into another supply and design of equipment contract ("Supply and Design of Equipment Contract") pursuant to which Conch Kawasaki would provide a whole set of equipment and design services for the construction of residual heat electricity generation projects for 13 subsidiaries of the Company, including Chizhou Conch. The aggregate contract amount was RMB816.3 million. On 3 September 2007, the Supply and Design of Equipment Contract with an aggregate contract amount of RMB816.3 million was considered and passed by the second extraordinary general meeting of 2007 of the Company.

The transaction price between the Company and Conch Kawasaki was determined with reference to the project cost, which was mainly based on project scale and standard of technology, and the prevailing market prices as well as the price charged by Conch Kawasaki to other customers and after negotiation between the parties but was not less favourable than that offered by Conch Kawasaki to independent customers.

During the year, Conch Kawasaki provided a whole set of equipment and design services for the construction of all residual heat electricity generation projects of the Group. The total amount of equipment and design fee settled by the Group was RMB41.52 million.

（6） Project design of cement and clinker projects

On 29 June 2007, as approved by the Board of the Company, the Company and Anhui Conch Construction Materials design Centre ("Conch Design") entered into the composite project design contract ("Composite Project Design Contract") pursuant to which Conch Design would provide services such as design and technology modification of clinker production lines and grinding systems for 21 subsidiaries of the Company, including Tongling Conch. The total contract amount was RMB36.15 million. The design fee was determined by the parties after arm's length negotiation with reference to the scale charge for project design promulgated by the National Development and Reform Commission and Ministry of Construction in 2002 and based on the project scale, investment amount, scope of design, standard of technology and the prevailing market prices. The design fee would be settled according to the progress of the project. During the year, the design fee paid by the Group to Conch Design was RMB16.15 million.

（7）Acquisition of 25% equity interests in Wuhu Plastic

On 29 June 2007, as approved by the Board of the Company, the Company and Cheong Sing Merchandise Agency Limited ("Cheong Sing Company") entered into the equity transfer agreement ("Equity Transfer Agreement") pursuant to which the Company agreed to acquire 25% equity interests in Wuhu Plastic held by Cheong Sing Company at a consideration of RMB13.76 million. The said consideration was determined with reference to the consideration for the Company's acquisition of 75% of the equity interests in Wuhu Plastic, which was completed on 25 May 2007 and the proportion of this acquisition of the equity interests in Wuhu Plastic. The transaction was filed to the state-owned assets administration department on 26 November 2007 and approved by the foreign investment approval department on 30 January 2008. On 29 February 2008, the formalities for the change of industrial and commercial registration for this transaction completed. The consideration of such equity transfer was paid by the Company by its internal resources.

Acquisition of 25% equity interests in Wuhu Plastic constituted a connected transaction under the Listing Rules of the Stock Exchange, but did not constitute a connected transaction under the Listing Rules of SSE.

（8）Acquisition of 20% equity interests in Wuhu Logistics

On 28 November 2007, the Board approved (interested Directors abstained from voting) the share transfer agreement ("Share Transfer Agreement") which was entered into between Conch International Trading, a wholly-owned subsidiary of the Company, and Conch Holdings, it was approved that Conch International Trading would acquire 20% equity interests in Wuhu Conch Logistic Company Limited ("Wuhu Logistics") held by Conch Holdings at a consideration of RMB10.709 million, which was determined based on the appraised net assets of Wuhu Logistic as at 31 August 2007. As at 6 March 2008, the transaction has been filed with the state-owned assets administration department and the formalities for the relevant change of industrial and commercial registration for this transaction has been completed. The consideration of such equity transfer was paid by the Group from its internal resources.

Acquisition of 20% equity interests in Wuhu Logistics by Conch International Trading constituted a connected transaction under both the Listing Rules of the Stock Exchange and the Listing Rules of SSE. Pursuant to the Listing Rules of the Stock Exchange and the Listing Rules of SSE, such connected transaction is exempt from announcement and independent shareholders' approval requirements.

（9）For details of the connected transaction in relation to Chaodong Company Acquisition, please refer to “Material acquisitions — (1) Acquisition of Chaodong Company” in this section.

（**10**）For details of the connected transactions in relation to the issue of shares for the acquisition of the Three Companies from Conch Holdings and issue of shares for the acquisition of the Four Companies from Conch Venture, please refer to “Material acquisitions — (2) Issue of Shares for Purchase of Assets” in this section.

3. Material Guarantees

During the year, the external guarantees provided by the Company were related to its own loans and loans of its subsidiaries, and all the guarantees have been approved either by the Board or the general meetings.

During the year, the guarantees provided by the Company for its subsidiaries amounted to RMB495 million, all being guarantees for collateral liabilities; as at 31 December 2007, the balance of guarantees provided by the Company for its subsidiaries amounted to RMB1,578 million, representing 12.95% of the net assets of the Company.

During the year, the Company had not provided any guarantee for its controlling shareholders, beneficial controlling shareholders, other related parties and any other entities which were not legal persons or individuals. The aggregate amount of guarantees provided by the Company did not exceed 50% of the Company’s latest audited net assets; the aggregate amount of the guarantee provided by the Company to companies with a gearing ratio of over 70% amounted to RMB720 million.

As at 31 December 2007, Ningbo Conch Cement Company Limited, a subsidiary of the Company, pledged to the bank, land, machines and equipment at a book value of RMB63.77 million as the security for a long term loan in the sum of RMB60 million.

As at 31 December 2007, Anhui Ningguo Cement Plant and the branch company, Baimashan Cement Plant of Anhui Conch Cement Company Limited pledged their assets of a book value of RMB844 million under PRC Accounting standards to International Finance Corporation as the security for its long term loan in the sum of RMB650 million.

4、Commitments

In respect of the acquisition of assets by the issue 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 year.

(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 year, save for a building of 4,388.16 square meters of 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 in accordance with the valuation of the property assessed by China Faith Appraisers Co., Ltd. as at the valuation date on 31 May 2006, the value of the property of 4,388.16 square meters was RMB2,353,200, taking into account the proportion of acquisition of the equity interests in Wuhu Logistics by the Company, the asset value thereof was RMB1,882,600. On 20 September 2007, Conch Holdings fully paid RMB1,882,600 to the Company in cash.

（3）Pursuant to the Assets Purchase 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 Conch 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 Conch would repurchase such number of shares in Conch 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 auditors in accordance with the PRC Accounting Standards was RMB338.1734 million which is higher than RMB319.198 million. No shares were repurchased by Conch.

Moreover, Conch Venture undertook that if the aggregate audited net profit attributable to the equity interests of the Four Companies acquired by Conch for 2006, 2007 and 2008 prepared in accordance with the PRC Accounting Standards is on average less than RMB319.198 million, Conch Venture agreed that Conch would repurchase such number of shares in Conch at an aggregate consideration of RMB1.00. However, such undertakings have not expired yet. The repurchase of shares shall be subject to the audit results on the net profits of the Four Companies for 2008.

IX. Consolidated income statement and Consolidated balance sheet

The audited consolidated income statement of the Group for the year ended 31 December 2007 and audited consolidated balance sheet of the Group at 31 December 2007 together with the 2006 comparative figures, prepared in accordance with IFRS and presented on the basis described in Note 1 below are as follows:

1 Consolidated income statement for the year ended 31 December 2007

	Note	*2007* RMB'000	*2006* RMB'000 (Restated)
Revenue	3	18,776,098	16,096,057
Cost of sales and services rendered		(13,047,187)	(11,609,775)
Gross profit		5,728,911	4,486,282
Other revenue	4	325,901	308,053
Other net income	4	17,343	5,709
Selling and marketing costs		(1,219,228)	(1,090,765)
Administrative expenses		(722,049)	(564,436)
Profit from operations		4,130,878	3,144,843
Finance costs	5(a)	(633,161)	(543,175)
Share profits of associates		3,706	3,177
Profit before taxation	5	3,501,423	2,604,845
Income tax	6	(813,197)	(677,388)

	Note	2007	2006
Profit for the year		2,688,226	1,927,457
Attributable to:			
Equity shareholders of the Company		2,480,146	1,543,767
Minority interests		208,080	383,690
Profit for the year		2,688,226	1,927,457
Dividends payable to equity shareholders of the Company attributable to the year			
Final dividend proposed after the balance sheet date	7	-	251,136
Earnings per share	8		
-Basic		RMB1.69	RMB1.21
-Diluted		RMB1.69	RMB1.21

2 Consolidated balance sheet at 31 December 2007

	Note	*2007* RMB'000	*2007* RMB'000	*2006* RMB'000 (Restated)	*2006* RMB'000 (Restated)
Non-current assets					
Fixed assets					
- Property, plant and equipment			21,469,915		17,129,091
- Interests in leasehold land held for own use under operating leases			999,377		860,125
			22,469,292		17,989,216
Intangible assets			231,520		198,976
Goodwill			16,120		16,120
Interest in associates			162,925		163,219
Loans and receivables			199,306		128,500
Other investments in equity securities			10		168
Available-for-sale equity securities			326,901		-
Deferred tax assets			79,642		57,465

			23,485,716		18,553,664
Current assets					
Inventories		1,562,552		1,272,879	
Trade receivables	9	3,470,929		939,689	
Prepayments and other receivables		530,464		632,725	
Amounts due from related parties		423,140		75	
Tax recoverable		30,799		-	
Restricted cash deposits		5,977		3,379	
Cash at bank and in hand		1,411,707		1,335,233	
		7,435,568		4,183,980	
Current liabilities					
Trade payables	10	1,930,814		1,019,507	
Other payables and accruals		2,240,716		1,767,434	
Bank loans and other borrowings		4,937,633		3,457,380	
Amounts due to related parties		108,013		101,506	
Current portion of long term payables		9,156		10,757	
Derivative financial instruments		-		49,740	
Current taxation		406,998		383,644	
		9,633,330		6,789,968	
Net current liabilities			2,197,762		2,605,988
Total assets less current liabilities			21,287,954		15,947,676
Non-current liabilities					
Bank loans and other borrowings		9,822,027		7,168,739	
Long-term payables		50,053		37,746	
Deferred income		148,441		128,818	
Deferred tax liabilities		20,331		27,396	

	10,040,852	7,362,699
NET ASSETS	11,247,102	8,584,977
CAPITAL AND RESERVES		
Share capital	1,566,434	1,255,680
Reserves	9,216,479	5,874,513
Total equity attributable to equity shareholders of the Company	10,782,913	7,130,193
Minority interests	464,189	1,454,784
TOTAL EQUITY	**11,247,102**	**8,584,977**

3 Notes to financial statements:

（1）Basis of preparation of the financial statements

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"). IFRSs include all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related interpretations. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries Group, and the Group's interest in associates.

On 24 April 2007, the Company acquired certain companies from Anhui Conch Holdings Co., Ltd.. As the acquired companies were under the common control of Anhui Conch Holdings Co., Ltd., the acquisition has been reflected in the consolidated financial statements as a combination of entities under common control in a manner similar to a pooling-of-interests. Accordingly, the assets and liabilities of the acquired companies have been accounted for at historical amounts and the consolidated financial statements of the Company prior to the acquisition have been restated to include the results of operations and assets and liabilities of the acquired companies on a combined basis.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial instruments classified as available-for-sale or as trading securities; and
- derivative financial instruments.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in 2007 financial statements.

(2) Changes in accounting policies

(a) Effect of new and revised IFRSs

The IASB has issued a number of new and revised IFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of IFRS 7, Financial instruments: Disclosures and the amendment to IAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of IFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by IAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout 2007 financial statements.

The amendment to IAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in 2007 financial statements.

Both IFRS 7 and the amendment to IAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

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

(b) Change of accounting policy for business combination under common control

As business combination under common control is explicitly excluded from the scope of IFRS 3, Business combination, the purchase method was adopted by the Group in prior years such that any excess of the cost of business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities was recognised as goodwill.

Effective from 1 January 2007, the above accounting policy was revised and the pooling-of-interests method was adopted to align with the accounting policies of the Group's PRC statutory financial statements as a result of the implementation of China Accounting Standards for Business Enterprises (2006). Under the pooling-of-interests method, the assets and liabilities of the acquirees are accounted for at historical amounts and the consolidated financial statements of the Company prior to the business combination need to be restated to include the results of operations and assets and liabilities of the acquirees on a combined basis. In comply with "IAS 8, Accounting policies, change in accounting estimates and errors", the new accounting policy was applied retrospectively.

（3）Revenue and segment reporting

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 and surcharges, and other service income.

	2007	*2006*
	RMB'000	RMB'000
		(Restated)
Sales of clinkers and cement products	18,511,216	15,246,277
Sales of chemical and other products	228,093	829,296
Other service income	36,789	20,484
	18,776,098	16,096,057

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 derived from the sale of clinkers and cement products.

Geographical segments

The Group's assets are all located in the PRC, which is considered as one geographic location with similar risks and returns.

	2007	*2006*
	RMB'000	RMB'000
		(Restated)
Revenue from external customers		
- the PRC	15,853,136	12,783,609
- others	2,922,962	3,312,448
	18,776,098	16,096,057

（4）Other revenue and net income

	2007	*2006*
	RMB'000	RMB'000
		(Restated)
Other revenue		
Subsidy income	302,294	280,831
Interest income	23,607	27,222
	325,901	308,053

Subsidy income comprises refunds of value-added tax in connection with certain sales of cement and local government grants received.

	2007	*2006*
	RMB'000	RMB'000
		(Restated)
Other net income		
Net (loss)/gain on disposal of fixed assets	(5,994)	5,192
Net realised gain on trading securities	-	246
Gain on disposal of other investment in equity securitiews	532	-
Gain on disposal of an associate	-	7,800
Net exchange gain/(loss)	4,701	(5,372)
Others	18,104	(2,157)
	17,343	5,709

（5）Profit before taxation

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

		2007 RMB'000	*2006* RMB'000 (Restated)
(a)	Finance costs		
	Interest on bank advances and other borrowings wholly repayable within five years	659,392	511,800
	Interest on bank advances and other borrowings wholly repayable after five years	51,937	44,595
	Interest on discount of notes receivable	31,176	10,459
	Total borrowing costs	742,505	566,854
	Less: Borrowing costs capitalised into construction-in-progress*	(109,344)	(23,679)
		633,161	543,175

* Borrowing costs have been capitalised at a rate of 5.02%-6.88% (2006: 5.76%-5.85%) per annum.

		2007 RMB'000	*2006* RMB'000 (Restated)
(b)	Staff costs		
	Contributions to defined contribution retirement plans	66,805	41,995
	Salaries, wages and other benefits	572,182	455,864
	Other compensation	23,655	-
		662,642	497,859

		2007 RMB'000	*2006* RMB'000 (Restated)
(c)	Other items		
	Recognition of deferred income in respect of government grant received	(12,597)	(23,257)
	Amortisation		
	- interest in leasehold land held for own use under operating leases	22,526	19,022
	- intangible assets	10,906	10,306

Depreciation	1,110,079	930,166
Impairment losses /(reversal of impairment losses) on		
- trade receivables	(3,673)	(930)
- prepayments and other receivables	6,529	(1,402)
- property, plant and equipment	-	5,600
Loss on change in fair value of forward foreign exchange contracts	-	49,740
Auditors' remuneration		
- audit services	8,685	3,800
- other services	30	-

（6）Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2007	*2006*
	RMB'000	RMB'000
		(Restated)
Current tax-PRC Enterprise Income Tax		
Provision for the year	826,579	726,658
Under/(over) -provision in respect of prior years	15,860	(9,657)
	842,439	717,001
Deferred tax		
Origination and reversal of temporary differences	(44,243)	(39,613)
Effect of decrease in tax rate on deferred tax balances at 31 December	15,001	-
	(29,242)	(39,613)
	813,197	677,388

No provision for Hong Kong Profits Tax is made for 2006 and 2007 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

Individual companies within the Group are generally subject to Enterprise Income Tax at 33% on taxable income determined according to the relevant income tax rules and regulations of the PRC except for:

Shanghai Mingzhu Conch Cement Co. Ltd. 上海海螺明珠水泥有限責任公司 (Note i)	15%
Shanghai Conch Cement Sales Co., Ltd. 上海海螺水泥銷售有限公司 (Note i)	15%
Shanghai Conch Construction Material International Trading Co., Ltd. 上海海螺建材國際貿易有限公司(Note i)	15%
Anhui Conch Cement Product Co., Ltd. 安徽海螺水泥有限公司 (Note ii)	30%
Prosperity Conch Cement Co., Ltd. 英德海螺水泥有限責任公司 (Note iii)	0%
Xinye Kuiyang Conch Cement Co., Ltd. 興業葵陽海螺水泥有限責任公司 (Note iv)	0%
Fusui Xinning Conch Cement Co., Ltd. 扶綏新寧海螺水泥有限責任公司 (Note v)	0%
Xing'an Conch Cement Co. Ltd. 興安海螺水泥有限責任公司 (Note vi)	0%
Beiliu Conch Cement Co., Ltd. 北流海螺水泥有限公司(Note vii)	0%
Wuhu Conch Plastic Products Co., Ltd. 蕪湖海螺塑料製品有限公司 (Note viii)	15%

Notes:

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

(ii) Anhui Conch Cement Product Co., Ltd. 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 statutory Enterprise Income Tax rate is 30%.

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

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

(v) Fusui Xinning Conch Cement Co., Ltd. was recognised by the local tax authorities as a company located in mid-west China, and thus is entitled to an Enterprise Income Tax exemption for the five years ending 31 December 2009. The applicable Enterprise Income Tax rate in 2007 is therefore 0%.

(vi) Xing'an Conch Cement Co. Ltd. was recognised by the local tax authorities as a company located in mid-west China, and thus is entitled to an Enterprise Income Tax exemption for the years ended 31 December 2006 and 2007. The applicable Enterprise Income Tax rate in 2007 is therefore 0%.

(vii) Beiliu Conch Cement Co., Ltd. was recognised by the local tax authorities as a company located in mid-west China, and thus is entitled to an Enterprise Income Tax exemption for the five years ending 31 December 2011. The applicable Enterprise Income Tax rate in 2007 is therefore 0%.

(viii) Wuhu Conch Plastic Products Co., Ltd. was recognised by the local tax authorities as a company in the industry of environmental protection, and thus is entitled to a preferential Enterprise Income Tax rate of 15% from the years ended 31 December 2006 to 2008. The applicable Enterprise income tax rate in 2007 is therefore 15%

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 ("CIT Law") which has become effective on 1 January 2008. As a result of the new tax law, the statutory income tax rate currently adopted by the Company and subsidiaries, other than the aforesaid subsidiaries in (i) to (viii), will change to 25% with effective from 1 January 2008. The applicable Enterprise Income Tax rose in 2007 is therefore 15%.

As of 1 January 2008, those subsidiaries engaging in manufacturing activities and previously enjoyed preferential policy in the form of reduced tax rate shall have five years from the time when the CIT Law takes effect for transition progressively to the new statutory tax rate. During this period, the subsidiaries that enjoyed the 15% enterprise income tax rate shall be subject to the 18% tax rate for the year 2008, 20% for the year 2009, 22% for the year 2010, 24% for the year 2011, and 25% for the year 2012.

As of 1 January 2008, those subsidiaries which previously enjoyed fixed-term preferential enterprise income tax treatment in the form of tax reduction and exemption shall continue to enjoy preferential treatment for their initial term as prescribed under the previous income tax laws until the initial terms expires.

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 year ended 31 December 2007.

(b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	2007	2006
	RMB'000	RMB'000
		(Restated)
Profit before taxation	3,501,423	2,604,845
Notional tax on profit before taxation calculated at 33%	1,155,470	859,599
Tax effect of tax exemption enjoyed by subsidiaries	(303,353)	(124,801)
Tax effect of different tax rates applicable to subsidiaries	(19,816)	(17,544)
Tax effect of non-deductible expenses	14,303	9,025
Tax effect of non-taxable income	(7,902)	(1,048)
Tax effect of prior years' tax losses utilised during the year	(4,684)	(34,860)
Tax effect of recognising prior years' unrecognised timing differences	(34,172)	-
Tax effect of unused tax losses not recognised	-	2,970
Income tax credits granted to subsidiaries	(17,510)	(6,296)
Under/(over)-provision in prior years	15,860	(9,657)
Effect of decrease in tax rate on deferred tax	15,001	-
Actual tax expense	813,197	677,388

（7）Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year:

	2007	*2006*
	RMB'000	RMB'000
No final dividend proposed after the balance sheet date (2006: RMB 0.20 per ordinary share)	-	251,136

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) ***Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:***

	2007	*2006*
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB 0.20 per ordinary share (2006: RMB 0.07 per ordinary share)	251,136	87,898

（11）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 year ended 31 December 2007 of RMB2,480,146,000 (2006(restated): RMB1,543,767,000) and the weighted average number of shares in issue during the year ended 31 December 2007 of 1,470,434,000 (2006(restated): 1,278,435,000).

Weighted average number of ordinary shares

	2007	*2006*
	thousand	thousand
Ordinary shares issued at 1 January		
- as previously reported	1,255,680	1,255,680
- effect of shares issued in April 2007 for business combination under common control	22,755	22,755
- as restated	1,278,435	1,278,435
Shares issued in April 2007 for acquisition of minority interests	191,999	-

Weighted average number of ordinary shares

at 31 December	1,470,434	1,278,435

During the year ended 31 December 2007, the Company acquired certain companies under common control through issuance of 22,755,147 A shares. Therefore, the profit attributable to ordinary equity shareholders of the Company for the year ended 31 December 2006 and the weighted average number of shares in issue during the year ended 31 December 2006 are restated accordingly.

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the years ended 31 December 2007 and 2006.

（9）Credit policy and aging analysis on trade receivables

(a) Credit policy

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-60 days from the date of billing. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further is granted.

(b) Aging analysis on trade receivables

	2007	*2006*
	RMB'000	*RMB'000*
		(restated)
Current or overdue within 60 days	3,469,397	937,264
Overdue between 60 days to 1 year	1,093	2,359
Overdue between 1 year to 2 years	439	66

	3,470,929	939,689

(10) Aging analysis on trade payables

	2007	*2006*
	RMB'000	*RMB'000*
		(restated)
Overdue within 1 year or on demand	1,927,139	989,796
Overdue between 1 and 2 years	2,308	25,306
Overdue between 2 and 3 years	1,112	255
Over 3 years	255	4,150
	1,930,814	1,019,507

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

Wuhu City, Anhui Province, the PRC
27 March 2008

As at the date of this announcement, the Board of directors of the Company 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 Mei Cai as independent non-executive directors.