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 2006

- Turnover in 2006 was approximately RMB15,246.28 million (in accordance with International Financial Reporting Standards), representing an increase of 40.83% when compared with that of 2005.
- Profit after taxation and minority interests in 2006 was RMB1,482.79 million (in accordance with International Financial Reporting Standards), representing an increase of 284.31% when compared with that of 2005.
- Earnings per share in 2006 were RMB1.18 (in accordance with International Financial Reporting Standards), representing an increase of 280.65% when compared with that of 2005.

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 LISTED 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 of directors ("Board") (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 FINANCIAL INDICATORS

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

(RMB'000)

Item	2006	2005	2004	2003	2002
Revenue	**15,246,277**	10,826,214	8,384,947	5,653,986	2,980,431
Profit after taxation and minority interests	**1,482,795**	385,832	960,919	743,404	267,596
Total assets	**22,272,434**	19,171,525	15,897,317	13,146,581	8,710,467
Total liabilities	**13,922,230**	12,566,471	9,527,474	7,629,533	4,770,809

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

(1) Major accounting data

(RMB'000)

	2006	2005	% Increase over 2005	2004
Sales from principal activities	**15,246,277**	10,826,214	40.83	8,384,947
Profit before income tax	**2,498,309**	861,374	190.04	1,941,730
Net profit after tax and minority interests	**1,427,931**	406,892	250.94	1,008,827
Net profit after extraordinary gains/(losses)	**1,325,424**	385,016	244.25	979,877

(RMB'000)

	31 December 2006	31 December 2005	% Increase over 31 December 2005	31 December 2004
Total assets	**22,305,525**	19,242,026	15.92	16,067,170
Shareholders' equity (excluding minority interests)	**7,051,706**	5,711,434	23.47	5,467,280
Net cash flows from operating activities	**2,926,949**	1,523,523	92.12	1,429,620

(2) *Major financial indicators*

	2006	2005	% Increase over 2005	2004
Earnings per share *(RMB/share)*	**1.14**	0.32	250.94	0.80
Return on net assets (fully diluted)	**20.25%**	7.12%	increase by 13.13 percentage points	18.45%
Return on net assets after extraordinary gains/(losses)	**18.80%**	6.74%	increase by 12.06 percentage points	17.92%
Net cash flows from operating activities per share *(RMB/share)*	**2.33**	1.21	92.12	1.14

	31 December 2006	31 December 2005	% Increase over 31 December 2005	31 December 2004
Net assets per share *(RMB/share)*	5.62	4.55	23.52	4.35
Adjusted net assets per share *(RMB/share)*	5.61	4.55	23.30	4.35

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

(Unit: RMB'000)

	Net profit		Total equity attributable to equity shareholders of the Company	
	1 January to 31 December 2006 (Audited)	1 January to 31 December 2005 (Audited)	**31 December 2006 (Audited)**	31 December 2005 (Audited)
Amount as reported in the statutory financial statements prepared in accordance with the PRC Accounting Standards	**1,427,931**	406,892	**7,051,706**	5,711,434
– Effect of depreciation on valuation surplus of fixed assets not recognised under IFRS	**3,560**	3,560	**7,121**	3,560
– Goodwill not amortised under IFRS	**5,153**	(3,860)	**10,346**	5,193
– One-off amortisation of pre-operating expenses under IFRS	**(1,639)**	(4,861)	**(6,500)**	(4,861)
– Effect on assets acquired through business combination recognised at fair value and assets amortisation/ depreciation under IFRS	**(1,694)**	–	**83,017**	84,711
– Reversal of valuation surplus of land use rights upon transformation of the Company and its subsidiaries ("Group")	**3,838**	3,838	**(156,063)**	(159,901)
– Deferral of income tax credit for investments in domestic equipment under IFRS	**18,509**	(38,478)	**(83,902)**	(102,410)
– Deferred income tax recognised under IFRS	**27,180**	18,412	**17,636**	(9,543)
– Others	**(43)**	329	**(4,953)**	(4,672)
Amount as reported under IFRS	**1,482,795**	385,832	**6,918,408**	5,523,511

III. CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

1. Changes in structure of share capital

(Units: '000 shares)

	Before changes	Difference in changes (+, –)	After changes
I. Restricted shares			
1. State-owned shares	0	0	0
2. State-owned legal person shares	622,480	0	622,480
3. Other domestic shares	0	0	0
4. Foreign shares	0	0	0
Total number of floating shares not yet listed	622,480	0	622,480
II. Unrestricted shares			
1. RMB-denominated ordinary shares ("A Shares")	200,000	0	200,000
2. Domestically listed foreign shares	0	0	0
3. Overseas listed foreign shares ("H Shares")	433,200	0	433,200
Total number of listed floating shares	633,200	0	633,200
III. Total number of shares	1,255,680	0	1,255,680

During the Reporting Period, there was no change in the total number of shares and the share capital structure of the Company (from 1 January 2006 to 31 December 2006).

During the Reporting Period, the Company entered into an "Asset Purchase Agreement" with Anhui Conch Holdings Company Limited (安徽海螺集團有限責任公司) ("Conch Holdings") and Anhui Conch Venture Investment Company Limited (安徽海螺創業投資有限責任公司) ("Conch Venture") respectively on 21 August 2006. The Company proposed to issue 22,755,147 A Shares to Conch Holdings as consideration for the acquisition of 100% equity interest in Anhui Ningchang Plastic Package Co., Ltd ("Ningchang Company"), its 75% equity interest in Wuhu Conch Plastic Products Co., Ltd ("Wuhu Plastic"), and its 100% equity interest in Shanghai Conch Construction Material International Trading Company Limited ("Conch International Trading"), and to issue 287,999,046 A Shares to Conch Venture as consideration for the acquisition of 49% equity interest in Anhui Digang Conch Cement Co., Ltd. ("Digang Conch"), its 49% equity interest in Anhui Zongyang Conch Cement Co., Ltd. ("Zongyang Conch"), its 49% equity interest in Anhui Chizhou Conch Cement Co., Ltd. ("Chizhou Conch"), and its 31.86% equity interest in Anhui Tongling Conch Cement Co., Ltd. ("Tongling Conch"), the four of which being subsidiaries of the Company.

The two transactions mentioned above were approved at the Company's 2006 First Extraordinary General Meeting, 2006 first class meeting of H shareholders, and 2006 first class meeting of domestic shareholders, and are subject to the approval of China Securities Regulatory Commission ("CSRC").

Upon completion of the above-mentioned acquisitions, the changes in the Company's share capital structure will be as follows:

	Before completion of the acquisitions		**After completion of the acquisitions**	
	Number of shares	**Percentage of shareholdings**	**Number of shares**	**Percentage of shareholdings**
Conch Holdings A Shares	622,480,000	49.57%	645,235,147	41.19%
Conch Venture A Shares	0	0%	287,999,046	18.39%
Public H Shares	433,200,000	34.50%	433,200,000	27.66%
Public A Shares	200,000,000	15.93%	200,000,000	12.77%
Total:	1,255,680,000	100.00%	1,566,434,193	100.00%

2. Information on shareholders

(1) As at 31 December 2006, the Company had a total of 3,237 shareholders, 61 of which were holders of H Shares.

(2) As at 31 December 2006, the shareholdings of the top 10 shareholders and the top 10 holders of floating shares of the Company were as follows:

Rank	Name of shareholders	Nature of shareholder	No. of Shares held at 31 December 2006 (share)	Percentage of shareholdings (%)	Class of shares
1	Conch Holdings	State-owned investor	622,480,000	49.57	A Shares
2	HKSCC Nominees Limited	Foreign investor	432,544,997	34.45	H Shares
3	Fenghe Value Securities Investment Fund	Others	18,690,959	1.49	A Shares
4	TCC International Limited	Foreign investor	15,000,000	1.19	H Shares
5	Bank of Communications – Fuguo Tianyi Value Securities Investment Fund	Others	12,380,002	0.99	A Shares
6	Taihe Securities Investment Fund	Others	12,360,096	0.98	A Shares
7	Industrial and Commercial Bank of China-Guangfa Strategic Aborative-select Composite Securities Investment Fund	Others	12,245,152	0.98	A Shares
8	Bank of China – Yinhua Excellent Growth Share-type Securities Investment Fund	Others	9,445,742	0.75	A Shares
9	China Construction Bank-Bank of Communications & Schroders – Stable, Deploying Composite Securities Investment Fund	Others	7,679,972	0.61	A Shares

10	Haitong-Bank of Communications – Nikko Asset Management Co., Ltd. – Nikko AM China Renminbi-denominated A Shares Parent Fund (海通－交行－日興資產管理有限公司－日興AM中國人民幣A股母基金)	Others	7,109,455	0.57	A Shares
11	Industrial and Commercial Bank of China – Guangfa Stable Growth Securities Investment Fund 廣發穩健增長證券投資基金	Others	6,308,884	0.50	A Shares

Notes:

(1) Among the above-mentioned shareholders, Conch Holdings held 622,480,000 shares of the Company, representing 49.57% of the total share capital of the Company.

On 28 February 2006, Conch Holdings pledged 64,400,000 shares (approximately 5.1% of the total share capital of the Company) out of 622,480,000 State-owned shares held by it to Nanjing City Chengnan Sub-branch of Minsheng Bank as security for its loan for a term of one year. Such share pledge was released before the expiry date on 23 November 2006 and the procedures for release of such share pledge was completed at the Shanghai Office of the China Securities Depository and Clearing Corporation Limited. The Company had published announcements regarding the aforementioned share pledge and release of such share pledge on 2 March 2006 and 5 December 2006 respectively.

Save as disclosed above, during the Reporting Period, there has been no change to the number of shares, nor was there any pledge or moratorium of shares in the Company held by Conch Holdings. The Company is not aware of any pledge or moratorium of the floating shares during the Reporting Period.

Pursuant to the Share Segregation Reform Proposal considered and approved by the relevant shareholders' meeting held on 20 February 2006, and implemented on 2 March 2006, and the Company's "Announcement Regarding the Listing of the Company's Floating Shares with Trading Restrictions" published on 1 March 2007, Conch Holdings obtained the listing right for the Non-floating Shares of the Company held by Conch Holdings through the payment of RMB15.00 for every 10 floating A Shares held by holders of floating A Shares as consideration. The conditions of trading restrictions of shares of the Company held by Conch Holdings are as follows:

Name of holder of restricted shares	Conch Holdings
Number of restricted shares held	622,480,000
Conditions for listing of restricted shares	
Date on which listing and trading may commence	7 March 2007
Number of new shares allowed to be listed and traded	Not exceeding 62,784,000 shares within 12 months after 7 March 2007; Not exceeding 125,568,000 shares within 24 months after 1 March 2007
Selling restrictions	Conch Holdings undertook not to trade or transfer its Non-floating Shares of the Company during the 12 months from the date on which its Non-floating Shares were granted the right to list (2 March 2006). After the expiration of such undertaking, the number of the Company's shares held by Conch Holdings to be sold through trading on the Shanghai Stock Exchange shall not exceed 5% and 10% of the Company's total issued shares during the period of 12 months and 24 months respectively.

Special undertakings	If the average closing price of A Shares calculated by way of arithmetic mean during the first 30 trading days after the end of the sixth month from the date of approval by the relevant shareholders' meeting of A Shares and implementation of the Share Segregation Reform Proposal was lower than RMB11.00, Conch Holdings would pay to all the holders of floating A Shares whose names appeared on the register of members of the Company on the Record Date a cash subsidy equivalent to 50% of the difference provided that the amount shall not exceed RMB3.65 for every 10 floating A Shares.
Fulfilment of the special undertakings	As of 20 October 2006, the average closing price of A Shares calculated by way of arithmetic mean during the first 30 trading days after the end of the sixth month from the completion of the Share Segregation Reform was RMB16.11, i.e. not less than RMB11.00. As such, Conch Holdings is not required to fulfil the aforementioned undertaking to pay the cash subsidy.

(2) HKSCC Nominees Limited held 432,544,997 H Shares, representing 34.45% of the total share capital of the Company, and 99.85% of the issued H Share capital of the Company, on behalf of its various clients.

(3) So far as the Board is aware, the above mentioned holders are not connected to each other or are a party acting in concert, except that Fenghe Value Securities Investment Fund and Taihe Securities Investment Fund are under Harvest Fund Management Co., Ltd., and Guangfa Strategic Aborative-select Composite Securities Investment Fund and Guangfa Stable Growth Securities Investment Fund are under GF Fund Management Co., Ltd.

(4) As at 31 December 2006, the following persons (other than the Directors or chief executives of the Company) hold interests or short positions in the shares and underlying shares of the Company which are required to be entered in the register kept by the Company under Section 336 of the "Securities and Futures Ordinance" ("SFO") (Chapter 571of the Laws of Hong Kong):

Name of shareholders	**Number of ordinary shares held**	**Capacity**	**As a percentage of that class of shares**
Conch Holdings	622,480,000 A Shares (long position) *(Note a)*	Beneficial owner	75.68% *(Note b)*
Anhui Provincial Investment Group Limited ("Investment Group")	622,480,000 A Shares (long position) *(Note a)*	Interests of controlled corporation	75.68% *(Note b)*
Conch Venture	622,480,000 A Shares (long position) *(Note a)*	Interests of controlled corporation	75.68% *(Note b)*
Morgan Stanley Private Equity Asia, Inc.	133,200,000 A Shares (long position) *(Note c)*	Interests of controlled corporation	16. 19% *(Note b)*
Morgan Stanley Private Equity Asia, LLC	133,200,000 A Shares (long position) *(Note c)*	Interests of controlled corporation	16.19% *(Note b)*
Morgan Stanley Private Equity Asia, L.P.	133,200,000 A Shares (long position) *(Note c)*	Interests of controlled corporation	16.19% *(Note b)*
MS Asia Pacific Holdings Limited	133,200,000 A Shares (long position) *(Note c)*	Interests of controlled corporation	16.19% *(Note b)*

MS Asia Pacific Investment Limited	133,200,000 A Shares (long position) *(Note c)*	Interests of controlled corporation	16.19% *(Note b)*
MS Asia Investment Limited	133,200,000 A Shares (long position) *(Note c)*	Others	16.19% *(Note b)*
International Finance Corporation	46,800,000 A Shares *(Note d)*	Others	5.70% *(Note b)*
J. P. Morgan Chase & Co.	644,000 H Shares (long position)	Beneficial owner	0.15% *(Note e)*
J. P. Morgan Chase & Co.	44,552,000 H Shares (long position) *(Note f)*	Investment manager	10.28% *(Note e)*
J. P. Morgan Chase & Co.	41,237,200 H Shares (long position) *(Note f)*	Interests of controlled corporation	9.52% *(Note e)*
The Capital Group Companies, Inc.	60,596,000 H Shares (long position) *(Note g)*	Investment manager	13.99% *(Note e)*
T. Rowe Price Associates, Inc. and its affiliates	38,654,000 H Shares (long position)	Investment manager	8.92% *(Note e)*
Fidelity International Limited	28,180,000 H Shares (long position)	Investment manager	6.51% *(Note e)*

Note:

(a) These 622,480,000 A Shares are held in the name of Conch Holdings and in its capacity as the beneficial owner. The registered capital of Conch Holdings is RMB800 million, of which as to RMB408 million is attributable to Investment Group, representing 51% of the equity interests in Conch Holdings; and as to RMB392 million is attributable to Conch Venture, representing 49% of the equity interest in Conch Holdings. Pursuant to the SFO, both Investment Group and Conch Venture are deemed to own the entire interests in the shares of the Company held by Conch Holdings.

On 28 December 2005, Conch Holdings executed an agreement with strategic investors MS Asia Investment Limited (a subsidiary of Morgan Stanley, hereinafter referred to as "MS") and International Finance Corporation (a member of the World Bank Group, hereinafter referred to as "IFC") (the "**Transfer Agreement**"), pursuant to which it intended to transfer 132,000,000 and 48,000,000 shares to the two strategic investors, MS and IFC, respectively. On 31 March 2006, Conch Holdings, MS and IFC entered a supplemental agreement to the Transfer Agreement (the "**Supplement Agreement**"), pursuant to which adjustments were made to the number and prices of shares to be transferred to MS and IFC, the number of shares to be transferred to MS was increased from 132,000,000 shares to 133,200,000 shares and the number of shares to be transferred to IFC was decreased from 48,000,000 shares to 46,800,000 shares.

On 30 April 2006, the Company received the "Approval regarding the relevant transfer of some of the State-owned shares of Anhui Conch Cement Company Limited" (Guo Zi Chan Quan [2006] No. 477) from the State-owned Assets Supervision and Administration Commission, agreeing to the transfers of 133,200,000 shares and 46,800,000 shares of the Company held by Conch Holdings to MS and IFC respectively, out of its 622,480,000 shares. The above share transfers are subject to the approval of the Ministry of Commerce.

(b) The total number of domestic shares in issue was 822,480,000, all of which are A shares.

(c) Pursuant to the Transfer Agreement and the Supplemental Agreement, MS intended to purchase 133,200,000 A Shares. Although the share transfer under the Transfer Agreement has yet to take effect, pursuant to the SFO, MS is deemed to be interested in the 133,200,000 shares. According to the disclosure of interests form submitted on 29 December 2005 by Morgan Stanley Private Equity Asia Inc. ("MS Inc."), Morgan Stanley Private Equity Asia, LLC ("MS LLC"), Morgan Stanley Private Equity Asia, L.P. ("MSLP"), MS Asia Pacific Holdings Limited ("MSPH"), MS Asia Pacific Investment Limited ("MSPI") and MS, MS LLC was held as to 58.50% by MS Inc, MSPH and MSLP was held as to 100% and 1% respectively by MS LLC, MSPI was held as to 94.45% by MSLP, and MS was held by MSPH and MSPI as to 63.32% and 36.68% respectively. Pursuant to the SFO, MS Inc., MS LLC, MSLP, and MSPH and MSPI are deemed to own the shareholding interests owned by MS.

(d) Pursuant to the Transfer Agreement, IFC intended to purchase 46,800,000 A Shares. Although the shares to be transferred under the Transfer Agreement has yet to take effect, pursuant to the SFO, IFC is deemed to be interested in the 46,800,000 shares. However, according to the Company's records, IFC did not submit the relevant disclosure of interests forms to the Stock Exchange or the Company.

(e) The total number of H Shares in issue was 433,200,000.

(f) According to the disclosure of interests form submitted on 4 December 2006 by JPMorgan Chase & Co., these shares were held through certain subsidiaries of JPMorgan Chase & Co.

(g) According to the disclosure of interests form submitted on 21 November 2006 by The Capital Group Companies, Inc., these shares were held through certain subsidiaries of The Capital Group Companies, Inc.

Save for the aforesaid shareholders, as at 31 December 2006, the Company is not aware of any interests required to be recorded pursuant to Section 336 of the SFO.

3. Information on the controlling shareholder and beneficial owners

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

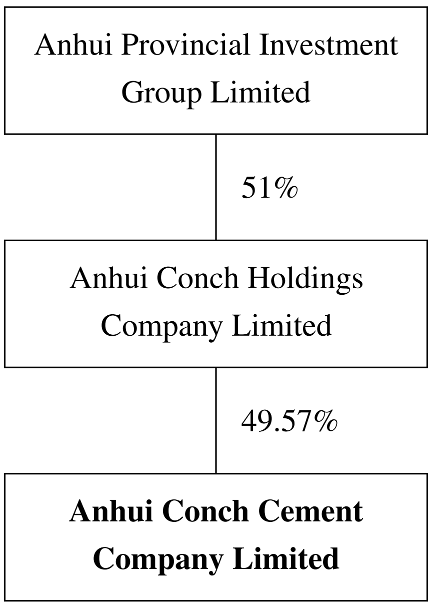
(1) Information on the controlling shareholder of the Company

Official 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, properties transaction, construction materials, chemical industrial products, transportation, warehousing, construction project, development of technological products, technical support services, import and export trading, etc.

(2) Information on the controlling shareholder of the controlling shareholder of the Company

Official name in English:	Anhui Provincial Investment Group Limited
Legal representative:	Du Changdi
Date of establishment:	31 July 1998
Registered capital:	RMB1.22 billion
Principal business activities:	Fund-raising, managing and operating the provincial infrastructure fund, railway construction fund and other construction fund of Anhui, property investment and capital management, etc.

(3) The relationship between the Company and the controlling shareholder of the Company's controlling shareholder in respect of it equity holding and control



4. Purchase, sale and redemption of the shares of the Company

For the year ended 31 December 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed shares of the Company.

5. Public float

Based on the information publicly available and to the knowledge of the Directors, the Company has been maintaining the public float required by the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules") up to the date of this announcement.

6. Pre-emptive rights

Pursuant to the articles of association of the Company and the laws of the PRC, the Company is not required to offer to its existing shareholders the pre-emptive rights to purchase new shares in proportion to their shareholdings.

IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Interests of directors, supervisors and senior management

None of the directors, supervisors of the Company or their respective spouses and children under 18 held any Shares or debt securities of or any other interests in the Company or its associated corporation as defined in the SFO, nor had they been granted any rights to subscribe for Shares or debt securities of the Company or its associated corporation as defined in the SFO. These 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. Securities transactions by Directors

The Company has adopted a code of practice with standards not lower than those prescribed in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by Directors. Pursuant to the specific enquiries made by the Company, all Directors confirmed that they had complied with the Model Code in relation to securities transactions by Directors during the Reporting Period.

3. Performance of duties by independent directors

During the Reporting Period, the independent Directors had, in accordance with the requirements of the "Guiding Opinion Concerning the Establishment of An Independent Directors' System in Listed Companies", and the Articles of Association of the Company, "Terms of Reference of the Remuneration and Nomination Committee" and "Terms of Reference of the Audit Committee", dutifully performed their duties by adhering to the principles of integrity and diligence. They have actively attended board meetings and shareholders' meetings held by the Company in 2006. They have also convened professional committee meetings and participated in the Company's major decision-making process, and safeguarded the interest of public investors according to the law.

4. Directors, supervisors ("Supervisors") and senior management staff working for the Company's controlling shareholder and other companies

The Directors, Supervisors and senior management staff working for Conch Holdings, the Company's controlling shareholder, are as follows:

Name	Position held in the Conch Holdings and the duration of appointment	Any remuneration and allowances received from Conch Holdings	Position held in other companies and the duration of appointment	Any remuneration and allowances received from other companies
Guo Wensan	Chairman, General Manager (From January 1997 to present)	No	Chairman, Conch Venture (From November 2002 to July 2006) Director, Conch Venture (From November 2002 to July 2006)	No
Li Shunan	Vice-chairman, Deputy General Manager (From January 1997 to present)	No	Director, Wuhu Conch Profiles and Science Co., Ltd. ("Conch Profiles") (From May 2000 to present) Chairman, Conch Profiles (From October 2005 to present) Director, Conch Venture (From November 2002 to present)	Yes, from Conch Profiles

Yu Biao	Director, Deputy General Manager (From December 1998 to present)	No	Director, Conch Profiles (From May 2000 to July 2006) Chairman, Anhui Chaodong Cement Holdings Co., Ltd. ("Chaodong Group") (From January 2004 to present)	Yes, from Chaodong Group
Guo Jingbin	Director, Deputy General Manager (From January 1997 to present)	No	Director, Conch Venture (From November 2002 to July 2006)	No
Ren Yong	Director, (From December 2003 to present)	No	–	No
Wang Jun	–	No	Chairman, Conch Venture (From August 2006 to present) Chairman, Supervisory Committee, Conch Profiles (From May 2000 to present)	No

Note: According to the relevant requirements of the State-owned Assets Supervision and Administration Commission of Anhui Province, the annual remuneration of the current senior management in Conch Holdings is commensurate with the overall operating results of Conch Holdings.

5. Remuneration of directors, supervisors and senior management for the year

(1) Remuneration of directors, supervisors and senior management for the year

1. Information on the annual remunerations received by directors and supervisors from the Company

(Unit: RMB'000)

Name	Position	Basic salary and allowance	Bonus	Pension	Total
Guo Wensan	Chairman	69.68	370.62	6.90	447.20
Guo Jingbin	Executive Director	70.12	164.76	6.90	241.78
Ren Yong	Executive Director and General Manager	57.63	244.36	6.90	308.89
Wang Jun	Chairman, Supervisory Committee	63.05	162.3	6.90	232.25
Total					1,230.12

Note: The bonuses for the aforesaid directors and supervisors have not yet been paid. The relevant amounts are projected figures with reference to the document Wan Guo Zi Kao He [2005] No.152 issued by the State-owned Assets Supervision and Administration Commission of Anhui Province; the annual remuneration of directors and supervisors mentioned above is the amount before taxation.

2. *Information on the annual remunerations received by the senior management from the Company*

(Unit: RMB'000)

Name	**Position**	**Total annual remunerations**
Qi Shengli	Deputy general manager	557.78
He Chengfa	Deputy general manager	560.76
Wang Pengfei	Assistant to general manager	568.54
Wu Likang	Assistant to general manager	478.36
Wang Jianchao	Assistant to general manager	483.74
Wang Biao	Assistant to general manager	465.43
Zhang Mingjing	Secretary to the Board, Company Secretary	480.17
Total		3,594.78

Note: The remuneration of the above-mentioned senior management staff was amount before taxation.

V. CORPORATE GOVERNANCE

During the Reporting Period, the Company had complied with all the code provisions of the "Code on Corporate Governance Practices" as set out in Appendix 14 of the Listing Rules.

The financial statements and annual report for 2006 of the Company were approved by the Audit Committee of the Board.

VI. MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ENVIRONMENT

In 2006, the PRC government began to implement the "Eleventh Five-Year Plan" along with the principle of "Developing in a scientific way" for the overall economic and social development; austerity measures will continue to be implemented, and the focus will be on structural changes in the economy and the momentum of economic growth; GDP for the year grew by 10.7%, an increase of 0.3 percentage points over the previous year; the year-on-year nationwide increase in fixed assets investment was 24.5%, which was 2 percentage points over the previous year. (Note: The above figures are quoted from the Statistics Publication of the National Economy and Social Development of the People's Republic of China for 2006)

In 2006, a series of guiding documents such as the "Development Policy for the Cement Industry", "Special Planning for the Development of the Cement Industry" and "Opinions Relating to Speeding Up of the Structural Adjustments of the Cement Industry" were published by the government aiming at facilitating the development and structural adjustments of the cement industry, which have also confirmed that the 12 large cement companies across the country, headed by Anhui Conch, are to receive the key support of the government in respect of the structural adjustments, whereby these companies will receive preferential treatment regarding project approvals, land approvals and granting of credit facilities, thereby encouraging the acquisitions, reorganization and merger of these companies with a view to raise the concentration of production capacities and optimizing the deployment of resources. Over the past year, investment in fixed assets in the cement industry fell from the previous year, and proportion of production using the new dry process was increasing. In 2006, the production capacity using the new dry process amounted to approximately 80 million tonnes; as at the end of 2006, the production capacity using the new dry process was approximately 700 million tonnes, the proportion to the total production rose from approximately 45% to approximately 50%.

In 2006, the output of cement of the PRC amounted to 1,204 million tonnes, an increase of 19.07% over 2005; the volume of cement exported amounted to 19.41 million tonnes, an increase of 70.65% over 2005; the volume of clinker exported amounted to 16.72 million tonnes, an increase of 55.06% over 2005. The supply and demand relationship of the cement industry in the PRC saw further improvement and the industry was recovering fast with increase in output, and the price of cement was rising throughout the year from a low level and hit a record high. *(Note: These figures are quoted from the second issue of "China Cement" for 2007)*

ANALYSIS OF OPERATION

Highlights of operation

In 2006, the Group seized the opportunity afforded by the continued growth of the cement industry and the steady increase in demand of cement to maximize our aggregate effectiveness, whereby we aimed at turning into an "energy saving and environmentally friendly" enterprise in order to push forward the sustainable development of the Company. In 2006, all of our economic technology indicators were above those of other players in the industry, and the costs of our production, operation and management were declining; production lines for cement and clinker and the residual heat electricity power generation project had been completed as scheduled; our output and sales volume, operating income and profit were picking up steadily.

During the Reporting Period, sales from principal activities of our Group under PRC Accounting Standards amounted to RMB15.246 billion, net profit after minority interests amounted to RMB1.428 billion and earnings per share amounted to RMB1.14. Revenue under IFRS amounted to RMB15.246 billion, net profit after tax and minority interests amounted to RMB1.483 billion and earnings per share amounted to RMB1.18.

Highlights of production

During the Reporting Period, the Group produced a total of 60.36 million tonnes of clinker, representing a year-on-year increase of 32%; 56.93 million tonnes of cement, a year-on-year increase of 40%.

The Group's output has been rising steadily over the years, which is mainly due to the following: the Group has established a scientific and sound production and management system and a team of professional, technical and management capabilities who, by strengthening our production and management, give full play to our existing production capacity. Also, our construction-in-progress had been making good progress and put into operation phase by phase as scheduled, which attained their respective targets quickly. During the year, the five production lines of daily production capacity of 5,000 tonnes of clinker including Prosperity Conch Cement Company Limited ("Prosperity Conch"), Wuhu Conch Cement Company Limited ("Wuhu Conch"), and construction of the 12 cement mills of Anhui Changfeng Conch Cement Company Limited ("Changfeng Conch") and Jiangsu Baling Conch Cement Company Limited ("Baling Conch") etc have been completed and put into operation, which also attained their targets quickly, in particular the growth in production volume of the South China regions, which output had increased by about 200% over the previous year.

As at 31 December 2006, our production capacity for clinker amounted to 59 million tonnes, and our production capacity for cement amounted to 65 million tonnes; moreover, the 3 residual heat power generation units at Ningguo Cement Plant ("Ningguo Cement"), Jiande Conch Cement Company Limited ("Jianguo Conch") and Chizhou Conch had been completed and put into operation, which afford a total installed capacity with residual heat of 43,000 kw.

An overview of sales

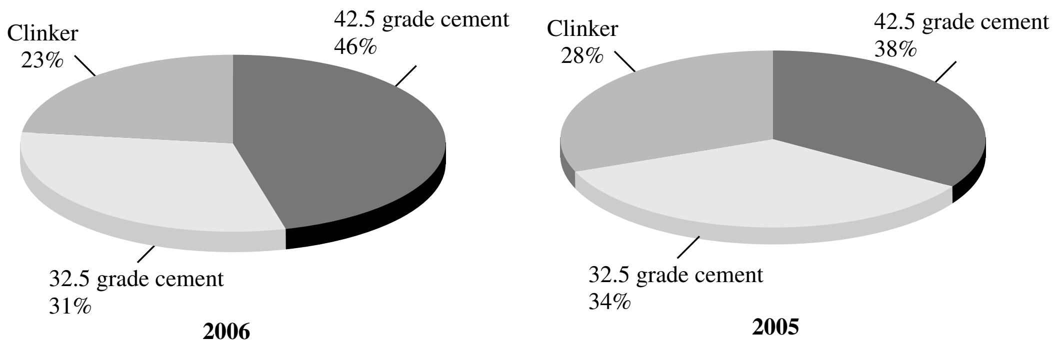
During the Reporting Period, the sales volume of the Group's cement and clinker amounted to 75.51 million tonnes, a year-on-year increase of 33%; of which the export volume of cement and clinker amounted to 13.96 million, an increase of 66% over the previous year.

During the Reporting Period, the Group's strategy to develop the South China market yielded excellent results which, together with our "T" shape strategy for East China, has formed a large market network and a network of logistics and ensured supply. The Group seized the opportunities on the growth in fixed assets investment and the marketing opportunity of urbanization of the rural areas to continue to put more effort in major projects and development of markets in the rural areas, thereby raising our market share steadily as well as our control of the market; also, riding on the momentum in export from the previous year, we took the initiative to explore the international market, so that our export volume markedly increased, which became a vital force in heightening our sales volume and effectiveness.

During the Reporting Period, the selling prices of products of the Group were rising steadily; the full-year overall average price was RMB201.9/tonne, an increase of 6.2% over the previous year.

During the Reporting Period, the proportion of sales volume of 32.5 cement was basically stable, and the year-on-year increase of the proportion of the sales amount of 42.5 cement was 8 percentage points, which was mainly due to the implementation of the "Eleventh Five-Year Plan" in 2006, being the first year such that demand for higher grade cement for infrastructure projects was strong, and both the price and the proportion of sales amount of 42.5 cement had increased over the previous year; the proportion of sales amount of clinker had a year-on-year decrease of 5 percentage points, which mainly due to the increase in the demand for clinker to meet the additional production capacity of cement of the Group during the Reporting Period.

Percentage of sales by type



During the Reporting Period, the proportion of sales amount of the Group in the South China regions had a year-on-year increase of 10 percentage points, which was mainly due to the fact that the 4 production lines of clinker and the 6 cement mills of Prosperity Conch in the South China region were put into operation in 2006; also, companies in the south such as Xingye Kuiyang Conch Cement Company Limited, Fusui Xinning Conch Cement Company Limited and Jiangmen Conch Cement Company Limited commenced operation in the second half of 2005, and the production capacity of which were fully utilized in 2006; the international demand was robust, and the proportion of export value continued to increase, which accounted for approximately 22% of our sales amount. Growth in export had effectively improved the domestic supply and demand and helped a long way to balance our low season productivity and stabilize the price for domestic trade. The proportion of sales amount of the Group in the East China regions had a year-on-year decrease of 15 percentage points, which was mainly due to the fact that the growth areas of our sales amount in 2006 were concentrated in the South China regions and in export, whereas the speed of growth in production capacity in the East China regions was less prominent.

Regional sales amount *(RMB million)*

	2006		2005		**Increase/decrease**
Region	**Sales**	**percentage**	Sales	percentage	
East China	**9,264**	**61**	8,223	76	Decreased by 15 percentage points
South China	**2,670**	**17**	757	7	Increased by 10 percentage points
Export	**3,312**	**22**	1,846	17	Increased by 5 percentage points
Total	**15,246**	**100**	10,826	100	Increased by 41 percentage points

Profit

In 2006, the Group's sales from principal activities under the PRC Accounting Standards amounted to RMB15,246.28 million, an increase of 41% over the previous year; net profit after tax and minority interests amounted to RMB1,427.93 million, an increase of 251% over the previous year. Revenue under IFRS amounted to RMB15,246.28 million, an increase of 41% over the previous year; our profit after tax and minority interests amounted to RMB1,482.79 million, an increase of 284% over the previous year. Our profit enjoyed a substantial increase over the previous year, was mainly due to the increase in sales volume and price and the decrease in production costs.

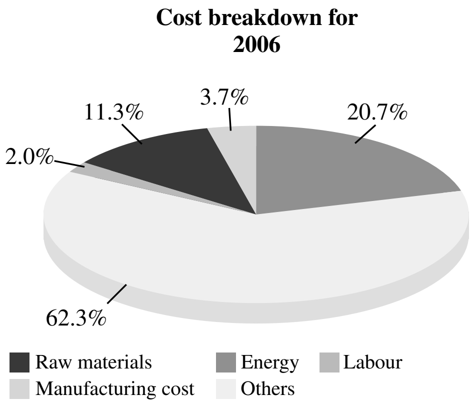
Major items in the income statement prepared in accordance with the PRC Accounting Standards

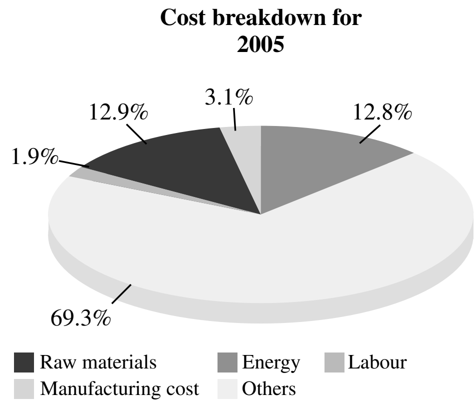
Item	**2006**	2005	**Increase(+) Decrease(-)**
	(RMB'000)	*(RMB'000)*	*(%)*
Sales from principal activities	**15,246,277**	10,826,214	40.83
Profit from principal activities	**4,406,920**	2,446,126	80.16
Profit before income tax	**2,498,309**	861,374	190.04
Net profit after tax and minority interests	**1,427,931**	406,892	250.94
Net cash flow from operating activities	**2,926,949**	1,523,523	92.12

Major items in the income statement prepared in accordance with IFRS

Item	**2006**	2005	**Increase(+)**
	(RMB'000)	*(RMB'000)*	*(%)*
Revenue	**15,246,277**	10,826,214	40.83
Sales gross profit	**4,415,158**	2,410,546	83.16
Profit before taxation	**2,521,383**	871,009	189.48
Profit after taxation and minority interests	**1,482,795**	385,832	284.31

During the Reporting Period, energy expenses accounted for 62.3% of the total costs, a decrease of 7 percentage points over the previous year. It was mainly due to the fact that our production capacity had been fully utilized, the unit energy consumption decreased and the slight decrease in the price of coal.





During the Reporting Period, given the rise in selling price of our products and the full utilization of production capacity as well as the decrease in costs, both the Group's revenue and gross profit margin increased by a huge margin. In this regard, the year-on-year increase of revenue for cement was 50.77%, and gross profit margin increased by 6.3 percentage points; the year-on-year increase of revenue for clinker was 15.41%, and gross profit margin increased by 6.54 percentage points.

2006 gross profit by products and comparison

Product type	**Sales from principal operations** *(RMB million)*	**Cost of principal operations** *(RMB million)*	**Gross profit margin (%)**	**Changes in income from principal operations over last year (%)**	**Changes in cost of principal operations over last year (%)**	**Change of percentage points in gross profit margin over last year**
Cement	11,733	8,294	29.31	50.77	38.42	6.31
Clinker	3,513	2,450	30.26	15.41	5.51	6.54
Total	15,246	10,744	29.53	40.83	29.23	6.33

During the Reporting Period, the three major expenses decreased slightly over last year as cost control had been better implemented. Increase in the total operating expenses was mainly due to the significant increase in export volume and increase in the sales of bagged cement.

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

Expenses for the period	**2006** *(RMB'000)*	2005 *(RMB'000)*	**Percentage to sales from principal activities (%)** **2006**	2005
Selling expenses	**1,148,673**	832,756	**7.53**	7.69
Administrative expenses	**498,708**	354,671	**3.27**	3.28
Net financial expenses	**529,251**	445,260	**3.47**	4.11

ANALYSIS OF FINANCIAL POSITION

Liability Structure

Changes in assets and liability items prepared in accordance with the PRC Accounting Standards

Item	2006	2005	Increase/ (decrease)	Changes
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(%)*
Fixed assets	**17,650,876**	15,091,128	2,559,748	16.96
Current and other assets	**4,654,649**	4,150,898	503,751	12.14
Total assets	**22,305,525**	19,242,026	3,063,499	15.92
Current liabilities	**6,559,531**	7,397,025	-837,494	-11.32
Non-current liabilities	**7,206,485**	4,990,774	2,215,711	44.40
Minority interests	**1,487,803**	1,142,793	345,010	30.19
Shareholders equity	**7,051,706**	5,711,434	1,340,272	23.47
Total liabilities and Shareholders' equity	**22,305,525**	19,242,026	3,063,499	15.92

During the Reporting Period, with the further optimization of the loan structure of the Group, the gradual completion of projects and rise in profit, improvements on our financial position was shown.

As at 31 December 2006, the Group's total assets prepared in accordance with the PRC Accounting Standards amounted to RMB22.306 billion; the Group's net assets amounted to RMB7.052 billion; the Group's total liabilities amounted to RMB13.766 billion, an increase of RMB1.378 billion over the end of last year.

As at 31 December 2006, the Group's non-current liabilities increased by RMB2.216 billion over the end of last year. It was mainly due to the increase in long-term borrowings.

As at 31 December 2006, the Group's total current assets amounted to RMB3,830.31 million, and the Group's total current liabilities amounted to RMB6,559.53 million, and the current ratio arrived at by dividing current assets by current liabilities was 0.58:1.

As at 31 December 2006, the Group's gearing ratio was 61.72%, representing a decrease of 2.66 percentage points over last year, and the net debt ratio calculated in accordance with the IFRS was 1.14, representing a slight decrease over last year.

During the Reporting Period, the Group was committed to improve its loan structure and enhance its current ratio as well as to strictly control its financial risks. Since the Group aimed at meeting the requirements for our normal operations and the needs of capital expenditure by reasonable financing, the interest protection multiple rose significantly higher than that of last year to 5.62.

Liquidity and funding

Maturity analysis of the Group's bank loans and other borrowings as at 31 December 2006:

	As at 31 December 2006 *(RMB'000)*	As at 31 December 2005 *(RMB'000)*
Due within 1 year	**3,457,380**	4,706,360
Due after 1 year but within 2 years	**2,408,939**	2,185,380
Due after 2 years but within 5 years	**3,779,800**	1,959,800
Due after 5 years	**980,000**	730,000
Total	**10,626,119**	9,581,540

During the Reporting Period, percentage of the Group's long-term loans increased from 51% in 2005 to 68% in 2006.

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

	2006 *(RMB'000)*	2005 *(RMB'000)*
Net cash flows from operating activities	**2,926,949**	1,523,523
Net cash flows from investment activities	**(3,333,368)**	(3,284,168)
Net cash flows from financing activities	**365,639**	1,312,206
Decrease in cash and cash equivalents	**(40,780)**	(448,439)
Cash and cash equivalents at the beginning of the year	**1,178,390**	1,626,829
Cash and cash equivalents at the end of the year	**1,137,610**	1,178,390

In 2006, the cement market saw rises in its steady development, and the Group seized the opportunity and fully utilized our production capacity to expand the scale of our sales. The marked increase in sales volume and rise in prices resulted in the significant increase in cash inflow from operations, and the modest decrease in the purchasing cost of raw materials resulted in a more efficient control of our cash expenses for operations; as a result of the aforesaid factors, the Group's net cash inflow from operations increased significantly, During the Reporting Period, the Group's net cash inflow from operations amounted to RMB2,926.95 million, representing an increase by RMB1,403.43 million. Net cash and cash equivalents decreased by RMB40.78 million. It was mainly due to the relatively large amount of capital committed in project construction.

Capital Expenditure

During the Reporting Period, the aggregate amount of investment activities and capital expenditure of the Group amounted to RMB3,333 million, which was used in the construction of cement and clinker production lines and the residual heat power generation project. During the Reporting Period, our new loans amounted to RMB1,044 million, which was mainly used in the construction of projects.

As at 31 December 2006, the Group's investment in associates amounted to RMB163.22 million.

As at 31 December 2006, capital commitment in respect of the acquisition of machinery and equipment for suppliers that were committed but have not been provided for in the financial statements were as follows:

	As at 31 December 2006 *(RMB'000)*	As at 31 December 2005 *(RMB'000)*
Authorized and contracted for	**2,210,776**	1,466,180
Authorized but not contracted for	**2,262,920**	1,129,017
Total	**4,473,696**	2,595,197

EFFECTS OF THE NEW ACCOUNTING STANDARDS

As from 1 January 2007, the Company implemented the New Accounting Standards for Enterprises ("New Accounting Standards") issued by the Ministry of Finance in 2006. Having implemented the New Accounting Standards, the effects on our accounting policy, accounting estimated changes and their effects to our operating results and financial position as follows:

In relation to the differences in shareholders' equity calculated in accordance with the existing accounting standards and the New Accounting Standards upon the initial implementation of the New Accounting Standards on 1 January 2007:

1. Difference in long-term investment

According to the New Accounting Standards, as at 1 January 2007, for long-term investment in equity arising from the combination of businesses under common control, difference in investment in equity not yet amortized was to be fully written off with retained profit adjusted, which led to a reduction of minority interests of RMB3.482 million.

2. Income tax

According to the requirements of the New Accounting Standards, the Company re-designed its accounting policy and changed the accounting treatment of income tax from the payable tax approach to taxation effect approach. On 1 January 2007, provision for deferred income tax assets was made for the temporary difference arising from the difference between the bad debt provision for receivables, provision for impairment of inventory and internal unrealized gross profit and the basis of calculation, resulting in an increase in shareholders' equity of RMB45.03 million.

3. Minority interests

In accordance with the requirements of the New Accounting Standards, as at 1 January 2007, the minority interests of RMB1,487.80 million as at 31 December 2006 in the combined financial statement prepared in accordance with the existing accounting standards were stated as shareholders' equity.

Possible effects on our accounting policy, accounting estimated changes and the operating results and financial position of our Company upon the implementation of the New Accounting Standards are as follows:

1) In accordance with the requirements No.2 of the New Accounting Standards on long-term investment in equity in subsidiaries by the parent company shall be dealt with by the cost approach, as such, the Company has changed the existing accounting policy of using the equity approach for subsidiaries to cost approach, which will affect the current investment gains of the parent company but the consolidated financial statements.

2) In accordance with the requirements No. 18 of the New Accounting Standards on income tax, the Company shall recognize the temporary difference between the book value of its assets or liabilities and the basis for taxation assessment as deferred income tax assets or deferred income tax liabilities, the change of which will affect the current taxation of the Company, which in turn will affect the Company's net profit and consolidated shareholders' equity.

3) In accordance with the requirements No. 20 of the New Accounting Standards on the combination of businesses, the difference on the debit side of investment in equity arising from the combination of businesses not under common control shall be recognized as goodwill without amortization, but impairment test shall be conducted every year. The matter does not affect the consolidated balance sheet at the initial implementation, but will affect the net profit and consolidated shareholders' equity of the Company in subsequent years.

4) In accordance with the requirements No. 33 of the New Accounting Standards on consolidated financial statements, in the consolidated balance sheet, minority interests shall no longer be individually stated, instead, minority interests are treated as part of the equity holders and are stated under the item of equity holders as "minority interests"; in the consolidated profit statement, minority interests shall no longer be stated in the debit side of net profit, and are assigned to the respective profit and loss of the parent company and minority interests under net profit. The matter will increase the net profit and shareholders' equity of the Company.

5) In accordance with the requirements of the practice guidelines of the New Accounting Standards, the preliminary fees of the Company are charged directly to the current administrative expenses as incurred and will not be deferred for one-off calculation until the commencement of operations of the company. Balance of the preliminary fees as at 31 December 2006 shall be entirely recognized as administrative expenses in the first accounting period after the first implementation date. The matter will affect the net profit and shareholders' equity of the Company.

OUTLOOK FOR 2007

In 2007, the economy of the PRC is expected to continue to sustain robust growth, and the PRC will continue to pursue a prudent and sound financial and currency policy, which will in turn facilitate the further economic structural adjustment and changes in the manner of economic growth. Investment in fixed assets is expected to go back to a rational manner, however, the total investment and scale of investment will continue to be massive, especially with the confirmation of the policy for the central regions of the PRC, the construction of the new socialist rural areas and the acceleration of construction of inter-city railways in East and South China regions will be implemented, which is likely to become the momentum for the demand for cement.

In order to put into practice the binding indicators as proposed by the "Eleventh Five-Year Plan (Outlines)" of the State on energy consumption and the total emission volume of pollutants, in February 2007, the National Development and Reform Commission of the PRC issued the Notice on Efforts to Phase Out Obsolete Cement Production Capacity, whereby schedules for phasing out obsolete cement production capacity from 2007 to 2010 for both the whole nation and the provinces were handed down, and governments at different levels shall within 2007 sign the performance pledge for weeding out backward cement production capacity during the "Eleventh Five-Year Plan" period, which will facilitate the further structural adjustments of the cement industry to lead to a more balanced supply and demand relationship in the cement market, and will afford a favourable opportunity for the Group to proceed with another round of development.

In 2007, the Group will speed up the implementation of the development and planning strategy under the "Eleventh Five-Year Plan", whereby the Group will fully leverage on our advantage in scale, technology, management and resources to expedite the construction of new projects and expansion of existing projects; at the same time, the Group does not rule out the means of acquisitions and mergers in order to expand production scale and to increase our share of the market. Moreover, the Group will continue to increase its investment scale in the residual heat power generation project so as to increase our profitability.

Production capacity of the Group's clinker and cement is expected to grow continuously in 2007. In 2007, the Group will have seven production lines of 5,000 tonnes/day for clinker at Wuhu Conch, etc, and 20 cement mills at Qiangjiao Conch Cement Company Limited ("Qiangjiao Conch"), etc, which, upon completion put into operation, the Group plans to have newly added production capacity for clinker of 11.55 million tonnes, and 15 million tonnes for cement. At present, the Group has completed the production base for clinker of 10 million tonnes at Tongling Conch, and planning for two production bases, namely Chizhou Conch and Wuhu Conch has been completed and construction is underway.

Also, the Group is constructing 26 residual heat power generation units at Baimashan Cement Plant, Wuhu Conch and Xuancheng Conch Cement Company Limited ("Xuancheng Conch"), which will add 128,000 kw to the Group's power generation capacity in 2007, which will further reduce the operation cost and upgrade the operation quality.

In 2007, the Group plans to arrange for a capital expenditure of approximately RMB5.37 billion. The aforesaid capital will mainly come from internal resources of the Group and bank loans. At present, the average interest rate of the bank loans of the Group is about 5.4%.

VII. REPORT OF THE BOARD

1. Dividend

Based on the PRC Accounting Standards and IFRS, the Group's profit after tax and minority interests for 2006 amounted to RMB1,427.93 million and RMB1,482.79 million respectively. The Board of the Company recommends the profit distribution for the year ended 31 December 2006 as follows:

(1) Pursuant to the Articles of Association, it recommends that based on the financial statements prepared in accordance with the PRC Accounting Standards, 10% of the profit after tax and minority interests shall be reserved for the statutory surplus reserve for the Company and its subsidiaries respectively, the total is approximately RMB296.99 million;

(2) The payment of a final dividend of RMB0.20 (including tax) per share. Pursuant to the Assets Purchase Agreements, signed by the Company with Conch Holdings and Conch Venture respectively, which have been approved by the first general meeting in 2006, the Company intends to issue 22,755,147 A Shares and 287,999,046 A Shares to Conch Holdings and Conch Venture respectively, and the rolled over profit of the Company shall be shared by existing and new shareholders. Upon the issue of aforesaid shares, the total share capital of the Company will increase from 1,255,680,000 shares to 1,566,434,193 shares. If the aforesaid issue of shares is approved by CRSC and the issue of shares is completed before the record date for the final dividend, the Company will pay the final dividend based on 1,566,434,193 shares for a total dividend of RMB313.2868 million; otherwise, the Company will pay final dividend based on the total share capital of 1,255,680,000 shares for a total of RMB251.136 million.

(3) The aforesaid profit distribution proposal shall be presented to the Annual General Meeting for 2006 for approval.

If the distribution of the final dividend is approved in the Annual General Meeting for 2006 to be held on Friday, 8 June 2007 for approval. The final dividend will be distributed to the registered shareholders of H shares on 8 May 2007 (Tuesday).

2. Major customers and suppliers

Aggregate purchase from the five largest suppliers	RMB2,153 million	representing 16.68% of the total purchase of the Group
Aggregate sales of the five largest sales customers	RMB406 million	representing 2.66% of the total sales of the Group

3. Principal investments during the Reporting Period

(Unit: RMB'000)

Item	Project name	Progress	Capital Committed during the Reporting Period
1.	The four clinker production lines of Prosperity Conch with a daily production capacity of 50 million tonnes and their ancillary cement mill system	Completed and in production	556,623
2.	The four clinker production lines of Wuhu Conch with a daily production capacity of 50 million tonnes and their ancillary cement mill system	3 Completed and in production; 1 under construction	897,587
3.	The two clinker production lines of Xuancheng Conch with a daily production capacity of 50 million tonnes and their ancillary cement mill system	Under construction	329,927
4.	The clinker production line of Beiliu Conch Cement Company Limited with a daily production capacity of 50 million tonnes and its ancillary cement mill system	Under construction	217,572
5.	The cement mill project of Taizhou Conch Cement Company Limited with an annual production capacity of 1.65 million tonnes	Under construction	71,350

6.	The cement mill project of Baling Conch with an annual production capacity of 3.2 million tonnes	Under construction	150,029
7.	The cement mill project of Changfeng Conch with an annual production capacity of 1.10 million tonnes	Under construction	50,538
8.	The cement mill project of Qiangjiao Conch with an annual production capacity of 1.60 million tonnes	Under construction	48,988
9.	The cement mill project of Bangfou Conch Cement Company Limited with an annual production capacity of 1.60 million tonnes	Under construction	89,089
10.	The cement mill project of Zhanjiang Conch Cement Company Limited with an annual production capacity of 3.20 million tonnes	Under construction	44,760
11.	Residual heat power generation projects of Ningguo Cement plant, Jiande Conch, Chizhou Conch, Tongling Conch, Zongyang Conch, Digang Conch and Anhui Huaining Conch Cement Company Limited	The residual heat power generation project of Ningguo Cement Plant, Jiande Conch and Chizhou Conch have been completed and in operation, the other projects are under construction	353,348

VIII. MATERIAL EVENTS

1. Material Guarantee

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

During the Reporting Period, the guarantees provided by the Company for its subsidiaries amounted to RMB430 million, all being guarantee for collateral liabilities; as at 31 December 2006, the balance of guarantee provided by the Company for its subsidiaries amounted to RMB2,423 million, representing 34.36% of the net assets of the Company.

During the Reporting Period, the Company had not provided any guarantee for its controlling shareholder, beneficial controlling shareholders, other related parties and any other entities which were not legal persons or individuals. The aggregate amount of guarantee provided by the Company did not exceed 50% of its latest audited net assets; the Company provided up to RMB935 million of guarantee for companies with a gearing ratio of over 70%.

2. Major acquisitions

For details on major acquisitions, please refer to Sub-item (1) "Acquisition of certain shares of Chaodong") and Sub-item (2) "Acquisition of assets by the issue of shares" of Item 3 "Matters relating to major connected transactions" as set out below.

3. Matters relating to major connected transactions

1 Acquisition of certain shares of Chaodong Cement Company Limited ("Chaodong")

On 2 June 2006, the Company entered into the Share Transfer Agreement with Chaodong Group, pursuant to the Share Transfer Agreement, the Company was transferred 39,385,700 shares of Chaodong (representing approximately 19.69% of the total number shares of Chaodong) held by Chaodong Group at total consideration of RMB93.738 million, equivalent to RMB2.38 per share

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

As at the date of this announcement, Chaodong Shares Acquisition had been approved by the SASAC and the Ministry of Commerce, pending the approval by the CSRC.

The Chaodong Shares Acquisition constitutes a connected transaction under the Listing Rules of SSE, but does not constitute a connected transaction under the Listing Rules of the Stock Exchange. Chaodong Shares Acquisition has been approved by the Board of the Company and does not require the approval by the general meeting. As at the end of this announcement, the Company has not yet paid the consideration to Chaodong Group for the Chaodong Shares Acquisition.

For details of the Chaodong Shares Acquisition, please refer to the announcements of the Company on 5 June 2006 published in Shanghai Securities, Hong Kong Commercial Daily and China Daily and related announcements on the Chaodong Shares.

2 *Acquisition of Assets by the issue of shares*

① *Acquisition of equity interests in the three companies of Conch Holdings*

On 21 August 2006, the Company entered into the Assets Purchase Agreement with Conch Holdings, whereby the Company intends to issue A Shares to Conch Holdings as the consideration for the acquisition of the 100% equity interests in Ningchang Company, 75% of equity interests in Wuhu Plastic and 100% of the equity interests in Conch International Trading (together the "Three Companies").

The consideration for the acquisition of the Three Companies from Conch Holdings was determined by the net assets valuation method. According to the assets valuation report with record date as at 31 May 2006 by Beijing Guoyou Dazheng Assets Valuation Company Limited ("Guoyou Dazheng"), the total consideration for the acquisition of the Three Companies from Conch Holdings by the Company was determined as RMB302.6435 million. The Company intends 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 the equity interests in the three subsidiaries of Conch Holdings. The shares issued to Conch Holdings in this transaction are not transferable within 3 years form the date of issue.

② *Acquisition of equity interests in the four companies of Conch Venture*

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

The price at which the equity interests of the Four Companies were purchased from Conch Venture were determined by reasonable price-earning method and assets valuation method, which was determined at RMB3,830.3873 million. The Company intends to issue 287,999,046 A Shares as the consideration for the purchase of assets, and the issue price is RMB13.30 per share. The shares issued to Conch Venture in this transaction are not transferable within 3 years from the date of issue.

The aforesaid two transactions constitute connected transactions, which had been approved by the first extraordinary general meeting of the Company, the first general meeting for holders of H Shares and the first general meeting for holders of domestic shares in 2006. Conch Holdings, the connected shareholder, abstained from voting in respect of the Conch Holdings transaction and the Conch Venture transaction. A whitewash waiver from the obligation to make a general offer in relation to the aforesaid transactions has been granted by the Securities and Futures Commission of Hong Kong. The Stock Exchange, after vetting, had no objection to the transactions mentioned above; however the transactions are still subject to the approval of CSRC.

For details of the Conch Holdings transaction and the Conch Venture transactions, please refer to the announcements of the Company 17 July 2006, 31 July 2006, 22 August 2006, 26 October 2006 and 13 December 2006 published in Shanghai Securities, Hong Kong Commercial Daily and China Daily.

3 *Use of trademark*

On 23 September 1997, the Company and its holding company, Conch Holdings entered into the Trademark Licensing Agreement, pursuant to which the Company may use the trademarks (including trademarks such as "海螺" , "Conch") on permitted products in permitted regions pursuant to the period as set out in the terms of the Trademark Licensing Agreement. The valid period of the Trademark Licensing Agreement shall be the same as the valid period of the permitted trademarks, and should the permitted trademarks be extended, the Trademark Licensing Agreement in respect of the trademark shall be extended automatically. Pursuant to the Trademark Licensing Agreement, the Company is required to pay RMB1.513 million for the use of the trademark of the controlling company. The Company has paid the fee to the controlling company for the use of the trademark during the Reporting Period. 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.

4. Composite services

The Company and its holding company, Conch Holdings entered into the Composite Services Contract for a term of 10 years commencing on 1 September 1997 (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, etc. Pursuant to the Composite Services Contract, the Group is required to pay the holding company a fee of RMB2.69 million which had been paid by the Company to the holding company during the Reporting Period. Pursuant to the Listing Rules of the Stock Exchange and the Listing Rules of the SSE, the Company is not required to publish an announcement regarding the connected transaction, which is also not subject to the independent shareholders' approval requirements.

5. Supply of cement packing bags

The Company and Ningchang Company entered into a purchasing agreement on 12 October 2005 (the transaction and the related annual trading cap under the purchase agreement were approved by the first extraordinary general meeting in 2005). Pursuant to the aforesaid purchasing agreement, the Group purchases cement packing bags, dust collecting bags and labor work garment ("packing materials") from Ningchang Company, Wuhu Plastic and Prosperity Conch, which are subsidiaries of Ningchang Company, and subsidiaries established by Ningchang Company from time to time ("Ningchang Group"). The valid period of the aforesaid purchasing agreement is 3 years from 1 January 2005 to 31 December 2007. Both parties negotiated and agreed on the transaction price which is fair and reasonable and is determined at arm's length and on normal commercial terms, and by appropriate reference to changes in the prices of raw materials for production of cement package bags by Ningchang Group. Three months upon receiving the packing materials, the Group will pay Ningchang Group in cash or acceptance remittance of the bank. During the Reporting Period, all of the Group's cement packing bags were purchased from Ningchang Group, the total amount of transaction was RMB379.29 million (excluding tax). The Group has not purchased cement packing bags from any third party, but reserves the right to purchase cement bags from third parties.

6. Import and export agency

Pursuant to the Import and Export Agency and Sales Agreement entered into between the Company and Conch International Trading (which was approved by the Company's first extraordinary general meeting in 2004), Conch International Trading will export cement or clinker products, import clinker and purchase equipment for cement production from foreign suppliers for the Group. The said Import and Export Agency and Sales Agreement is valid for a period of three years from 1 January 2004 to 31 December 2006. The Group will pay Conch International Trading a commission of not more than 1.5% of the amount of each of the import or export deal. The Group shall make the commission payment to Conch International Trading upon completion of each import or export deal.

During the Reporting Period, all the import and export of the Group were carried out through Conch International Trading as our agent for export of cement and clinker and import of equipment and accessories, which in aggregate amounted to RMB3,312.45 million and RMB345.37 million respectively, and commission paid amounted to RMB33.09 million and RMB4.16 million respectively.

7. Commodity sales

Pursuant to the aforesaid Import and Export Agency and Sales Agreement, the Group sold cement and clinker to Conch International Trading at arm's length prices and terms. During the Reporting Period, the Group's sales of cement and clinker to Conch International Trading amounted to 1.16 million tonnes which amounted to RMB214.43 million in aggregate (excluding tax), accounting for 1.41% of the Group's sales of products. Upon completion of the issue of shares for assets purchase as described in this section, the aforesaid transaction shall no longer constitute a connected transaction.

8. Shipping Services

Pursuant to the Transportation Agreement entered into between the Company and Shanghai Conch Logistics Company Limited ("Conch Logistics") (the transaction and the related annual trading cap under the Transportation Agreement were approved by the Company's first extraordinary general meeting in 2004), Conch Logistics will provide non-exclusive shipping services for the delivery of cement and clinker products, coal ash and production accessory materials, as well as imported equipment to the Group. Having regard to the actual circumstances of the marine transportation market, the parties will determine a reasonable shipping fee by reference to the shipping tariff schedule published by the relevant department of transport from time to time. The said Transportation Agreement is valid for a period of three years from 1 January 2004 to 31 December 2006. Such shipping fees are payable by the Group to Conch Logistics within the period stipulated in the Transaction Agreement upon completion of the delivery of goods concerned. During the Reporting Period, the shipping fees paid to Conch Logistics by the Group amounted to RMB212.33 million (excluding tax), accounting for 39.95% of similar fees payable by the Group.

9. Purchase of clinker and cement

The Group purchases clinker or cement from Digang Conch, Zongyang Conch, Chizhou Conch and Tongling Conch, the Four companies also purchase clinker or cement from one another. The purchase prices of the aforesaid purchases of clinker or cement are negotiated by both parties at arm's length with reference to the market price. In any circumstances, the terms of transaction shall not be more favourable than those the Group offers to independent third parties. The aforesaid purchases of clinker or cement as well as the annual caps for these transactions for two years ending 31 December 2007 have been approved by the second extraordinary general meeting of the Company in 2006.

The Group's transactions with these Four companies and the transactions among these Four companies constitute connected transactions under the Listing Rules of the Stock Exchange. These transactions do not constitute connected transactions under the Listing Rules of SSE. The connected relationship arises because Conch Venture acquired from a trust company (the trust company held the aforesaid shares on behalf of members of the labour union of Conch Holdings and the labour union of subsidiaries of Conch Holdings) 49% of the equity interests in Digang Conch, 49% of equity interest in Zongyang, 49% of equity interests in Chizhou conch and 31.86% of equity interests in Tongling Conch for the completion of the Conch Venture transaction. Conch Venture has been holding the minority interests in these Four companies from 12 July 2006 until the completion of the Conch Venture transaction. The transactions constitute connected transactions under the Listing Rules of the Stock Exchange. Upon completion of the issue of shares for the assets purchase, the aforesaid transactions shall no longer constitute connected transactions.

From 12 July 2006 until the end of the Reporting Period, the Group (excluding the Four Companies) purchased 16.68 million tonnes of clinker and cement from the Four Companies which amounted to RMB3,161.83 million; the purchases of clinker and cement made among the Four Companies amounted to 2.22 million tonnes and amounted to RMB360.03 million. The aggregate amount of RMB3,521.86 million had not exceeded the caps for 2006 approved by the general meeting.

For details of the transactions of clinker and cement, please refer to the announcements dated 10 October 2006, 27 October 2006 and 18 December 2006 which have been published in Shanghai Securities, Hong Kong Commercial Daily and China Daily.

IX. FINANCIAL STATEMENTS

The audited consolidated income statement of the Group for the year ended 31 December 2006 and audited consolidated balance sheet of the Group at 31 December 2006 together with the 2005 comparative figures, prepared in accordance with IFRS and presented on the basis described in Note 2 below are as follows:

1. Consolidated Income Statement

For the year ended 31 December 2006

	Note	**2006**	2005
		RMB'000	*RMB'000*
Revenue	*3*	**15,246,277**	10,826,214
Cost of sales		**(10,831,119)**	(8,415,668)
Gross profit		**4,415,158**	2,410,546
Other revenue	*4*	**284,792**	109,827
Other net income/(loss)	*4*	**4,832**	(4,347)
Selling and marketing costs		**(1,148,672)**	(832,756)
Administrative expenses		**(497,683)**	(368,541)
Profit from operations		**3,058,427**	1,314,729
Finance costs	*5*	**(540,221)**	(447,442)
Share of profits of associates		**3,177**	3,722
Profit before taxation	*6*	**2,521,383**	871,009
Income tax	*7*	**(656,617)**	(315,876)
Profit for the year		**1,864,766**	555,133

Attributable to:			
Equity shareholders of the Company		**1,482,795**	385,832
Minority interests		**381,971**	169,301
Profit for the year		**1,864,766**	555,133
Dividends payable to the equity shareholders of the Company during the year	*8*		
Final dividend proposed after the balance sheet date		**251,136**	87,898
Earnings per share	*9*		
Basic		**RMB1.18**	RMB0.31
Diluted		**N/A**	N/A

2. Consolidated Balance Sheet

As at 31 December 2006

		2006		2005	
	Note	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*
Non-current assets					
Fixed assets					
– Property, plant and equipment			**17,009,717**		14,484,648
– Interests in leasehold land held for own use under operating leases			**843,892**		791,606
			17,853,609		15,276,254
Intangible assets			**198,675**		143,113
Goodwill			**51,925**		51,925
Interest in associates			**163,219**		164,042
Loans and receivables			**128,500**		94,000
Investments in equity securities			**1,168**		1,168
Deferred tax assets			**45,030**		18,411
			18,442,126		15,748,913

	Note	2006 RMB'000	2006 RMB'000	2005 RMB'000	2005 RMB'000
Current assets					
Inventories		**1,218,635**		964,144	
Trade receivables	*11*	**550,220**		424,277	
Prepayments and other receivables		**589,295**		569,672	
Amounts due from related parties		**331,170**		280,342	
Restricted cash deposits		**3,379**		5,787	
Cash at bank and in hand		**1,137,609**		1,178,390	
		3,830,308		3,422,612	
Current liabilities					
Trade payables	*12*	**753,290**		763,340	
Other payables and accruals		**1,756,278**		1,446,547	
Bank loans and other borrowings		**3,457,380**		4,706,360	
Amounts due to related parties		**199,542**		267,043	
Current portion of long term payables		**10,757**		8,923	
Current taxation		**382,284**		204,811	
		6,559,531		7,397,024	
Net current liabilities			**(2,729,223)**		(3,974,412)
Total assets less current liabilities			**15,712,903**		11,774,501
Non-current liabilities					
Bank loans and other borrowings		**7,168,739**		4,875,180	
Long term payables		**37,746**		115,594	
Deferred income		**128,818**		150,718	
Deferred tax liabilities		**27,396**		27,955	
			7,362,699		5,169,447
NET ASSETS			**8,350,204**		6,605,054

CAPITAL AND RESERVES		
Share capital	**1,255,680**	1,255,680
Reserves	**5,662,728**	4,267,831
Total equity attributable to equity shareholders of the Company	**6,918,408**	5,523,511
Minority interests	**1,431,796**	1,081,543
TOTAL EQUITY	**8,350,204**	6,605,054

Notes:

1. General information

Anhui Conch Cement Company Limited (the "Company") was incorporated in The People's Republic of China (the "PRC") on 1 September 1997 as a joint stock limited company. The Company and its subsidiaries are collectively referred to as the Group. The principal activities of the Group are the manufacture and sale of clinkers and cement products.

The registered office of the Company is 209 East Beijing Road, Wuhu City, Anhui Province, PRC.

The consolidated financial statements of the Group have been approved for issue by the Board of Directors on 12 April 2007.

2. Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

At 31 December 2006, the Group has net current liabilities of RMB2,729,223,000 (2005: RMB3,974,412,000). At 31 December 2006, the Group was granted banking facilities amounting to RMB14,422,910,000 (2005: RMB12,329,000,000). As at 31 December 2006, the facilities were utilised to the extent of RMB9,889,119,000 (2005: RMB8,844,540,000) and the available banking facilities amounted to RMB4,533,791,000 (2005: RMB3,484,460,000). In addition, during the year ended 31 December 2006, the Group had net cash inflow generated from operating activities amounted to RMB2,358,208,000 (2005: RMB1,068,180,000). The directors are confident that the available banking facilities and cash inflow generated from operating activities are adequate to meet the Group's obligations as and when they fall due and therefore the financial statements are prepared on a going concern basis.

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.

3. Revenue

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.

	2006	2005
	RMB'000	*RMB'000*
Sales of clinkers and cement products	**15,246,277**	10,826,214

4. Other revenue and net income/(loss)

	2006	2005
	RMB'000	*RMB'000*
Other revenue		
Subsidy income	**265,595**	96,060
Interest income	**12,697**	13,767
Dividend income	**6,500**	–
	284,792	109,827

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

	2006 *RMB'000*	2005 *RMB'000*
Other net income/(loss)		
Net gain/(loss) on disposal of fixed assets	**1,394**	(1,445)
Net realised gain on trading securities	**246**	–
Others	**3,192**	(2,902)
	4,832	(4,347)

5. Finance costs

	2006 *RMB'000*	2005 *RMB'000*
Interest on bank advances and other borrowings wholly repayable within five years	**508,846**	427,251
Interest on bank advances and other borrowings wholly repayable over 5 years	**44,595**	8,925
Interest on discount of notes receivable	**10,459**	22,264
Total borrowing costs	**563,900**	458,440
Less: borrowing costs capitalised into construction-in-progress*	**(23,679)**	(10,998)
	540,221	447,442

* *Borrowing costs have been capitalised at a rate of 5.76% – 5.85% (2005: 5.02% – 5.76%) per annum.*

6 Profit before taxation

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

Recognition of deferred income	**(23,257)**	(11,273)
Amortisation		
– interest in leasehold land held for own use under operating lease	**18,820**	21,605
– intangible assets	**10,228**	5,621
Depreciation	**919,088**	731,755
(Reversal of)/impairment losses on		
– trade and other receivables	**(2,332)**	5,036
– property, plant and equipment	**5,600**	52,273
Auditors' remuneration	**3,800**	3,800

7. Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2006	2005
	RMB'000	*RMB'000*
Current tax – PRC Enterprise Income Tax		
Provision for the year	**694,907**	334,287
Over provision in respect of prior years	**(11,112)**	–
	683,795	334,287
Deferred tax		
Origination and reversal of temporary differences	**(27,178)**	(18,411)
	656,617	315,876

No provision for Hong Kong Profits Tax is made for 2005 and 2006 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 PRC tax laws except for:

–	Shanghai Mingzhu Conch Cement Co. Ltd ("Mingzhu Conch") 上海海螺明珠水泥有限責任公司 *(Note i)*	15%
–	Shanghai Conch Cement Sales Co. Ltd. ("Shanghai Sales") 上海海螺水泥銷售有限公司 *(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. ("Prosperity Conch") (previously known as Yingde Conch Cement Co., Ltd.) 英德海螺水泥有限責任公司 *(Note iii)*	0%
–	Xingye Kuiyang Conch Cement Co. Ltd. ("Kuiyang Conch") 興業葵陽海螺水泥有限責任公司 *(Note iv)*	0%
–	Fusui Xinning Conch Cement Co. Ltd. ("Xinning Conch") 扶綏新寧海螺水泥有限責任公司 *(Note v)*	0%
–	Xing'an Conch Cement Co. Ltd. ("Xing'an Conch") 興安海螺水泥有限責任公司 *(Note vi)*	0%

Notes:

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

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

(iii) Prosperity Conch is a sino-foreign enterprise. In 2006, Prosperity Conch 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. 2006 is the first profitable year of Prosperity Conch. The applicable Enterprise Income Tax rate in 2006 is therefore 0%.

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

(v) Xinning Conch was recognised by the local tax authorities as a company located in middle-west China, and thus is entitled to an Enterprise Income Tax exemption for the years from 2005 to 2009. The applicable Enterprise Income Tax rate in 2006 is therefore 0%.

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

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

	2006	2005
	RMB'000	*RMB'000*
Profit before taxation	**2,521,383**	871,009
Notional tax on profit before taxation calculated at 33%	**832,056**	287,433
Tax effect of tax exemption of subsidiaries	**(124,803)**	–
Tax effect of different tax rates of subsidiaries	**(1,355)**	(3,846)
Tax effect of non-deductible expenses	**3,210**	13,209
Tax effect of non-taxable income	**(3,193)**	(780)
Tax effect of prior year's tax losses utilised during the year	**(34,860)**	–
Tax effect of unused tax losses not recognised	**2,970**	39,678
Income tax credits granted to subsidiaries	**(6,296)**	(19,818)
Over-provision in respect of prior years	**(11,112)**	–
Actual tax expense	**656,617**	315,876

8. Dividends

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

	2006	2005
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date of RMB0.2 per share (2005: RMB0.07 per share)	**251,136**	87,898

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:

	2006	2005
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.07 per share (2005: RMB0.13 per share)	**87,898**	163,238

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the year ended 31 December 2006 of RMB1,482,795,000 (2005: RMB385,832,000) and the weighted average number of shares in issue during the year ended 31 December 2006 of 1,255,680,000 (2005: 1,255,680,000).

(b) Diluted earnings per share

The diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2006 and 2005.

10. Segment reporting

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

Business segment

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

Geographical segments

All of the assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

	2006	2005
	RMB'000	*RMB'000*
Revenue from external customers		
– the PRC	**11,933,829**	8,980,177
– others	**3,312,448**	1,846,037
	15,246,277	10,826,214

11. Trade receivables

Included in trade receivables are trade debtors and notes receivable (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Within 1 year	**550,220**	423,764
Between 1 and 2 years	**–**	273
Between 2 and 3 years	**–**	34
Over 3 years	**–**	206
	550,220	424,277

The Group's credit risk is primarily attributable to trade and other receivables. The Group has a credit policy in place to ensure that sales of products are made to customers with an appropriate credit history and the exposures to these credit risks are monitored on an ongoing basis. In addition, the Group normally receives deposits from customers before delivery of products.

At the balance sheet date, the Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not provide any guarantees which would expose the Group to credit risk.

12. Trade payables

Aging analysis of trade payables, based on invoiced date, is as follows:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Within 1 year	**723,581**	711,052
Between 1 and 2 years	**25,306**	46,093
Between 2 and 3 years	**254**	5,108
Over 3 years	**4,149**	1,087
	753,290	763,340

13. Non-adjusting post balance sheet events

(a) On 16 March 2007, the Tenth National People's Congress plenary session passed the Enterprise Income Tax Law ("New Tax Law") that imposes a single uniform income tax rate of 25% for most enterprises. The New Tax Law will be effective as of 1 January 2008. The New Tax Law contemplates various transition periods and measures for existing preferential tax policies and empowers the State Council to enact appropriate implementing rules. The New Tax Law does not have an impact on the financial statements of the Group at 31 December 2006.

(b) On 1 January 2007, the Group adopted the Accounting Standards System for Business Enterprises ("PRC New Accounting Standards") issued by the Ministry of Finance, the PRC on 15 February 2006, and ceased to adopt the existing Accounting Standards for Business Enterprises and Accounting Regulations for Business Enterprises ("PRC Existing Accounting Standards"). The implementation of the PRC New Accounting Standards by the Group may result in changes in accounting policies and estimates made in accordance with PRC Existing Accounting Standards, and may have an impact on the Group's financial condition, operating results and distributable reserve.

(c) On 1 March 2007, the board of directors of the Company applied to the Shanghai Securities Exchange ("SSE") for the listing of the 62,784,000 shares with trading restrictions (representing approximately 5% of the total issued shares of the Company) in the Company held by Conch Holdings on the SSE. The SSE approved the listing of such 62,784,000 shares with trading restrictions on 7 March 2007.

(d) After the balance sheet date, the directors proposed a final dividend.

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

12 April 2007

Please also refer to the published version of this announcement in China Daily.