



ANHUI CONCH CEMENT COMPANY LIMITED

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

(Stock code: 0914)

CONNECTED TRANSACTION

On 16 November 2004, the Company and its wholly-owned subsidiary, Ningguo Cement Plant, entered into the Equity Transfer Agreement with Changxing Company, pursuant to which the Company and Ningguo Cement Plant agreed to acquire from Changxing Company an aggregate 49% equity interest in Fenyi Conch held by it at an aggregate consideration of RMB58,422,300. After completion of the Equity Transfer Agreement, application for amendments of the industry and commerce registration of Fenyi Conch will be submitted to the relevant industry and commerce department. The Company and Ningguo Cement Plant will hold 90% and 10% equity interest in Fenyi Conch respectively after the amendment to the industry and commerce registration of Fenyi Conch becoming effective.

Immediately before the completion of the Equity Transfer Agreement, Changxing Company held 49% of the equity interest in Fenyi Conch and is a Controlling Shareholder of Fenyi Conch.

The Connected Transaction constitutes a connected transaction of the Company. The Connected Transaction is on normal commercial terms. It is only subject to the reporting and announcement requirements under Rule 14A.45 and 14A.47 of the Listing Rules, and no independent shareholders' approval is required. Details of the Equity Transfer Agreement will be included in the Company's annual report and financial statements for the year ending 31 December 2004.

1. Principal terms of the Equity Transfer Agreement:

(1) Date : 16 November 2004

- (2) Parties :** (a) Changxing Company as vendor
(b) The Company as purchaser
(c) Ningguo Cement Plant as purchaser

(3) Subject matter: Immediately before the signing of the Equity Transfer Agreement, the Company held 51% of the equity interest in Fenyi Conch. Changxing Company agreed to sell the 49% equity interest in Fenyi Conch held by it and each of the Company and Ningguo Cement Plant agreed to acquire 39% and 10% equity interest in Fenyi Conch respectively. Such 49% equity interest in Fenyi Conch represents 49% of its registered capital. The sale and purchase of such 49% equity interest is unconditional and was completed on 16 November 2004. The application for amendment to the industry and commerce registration in relation to the transfer of equity will be submitted to the industry and commerce department where Fenyi Conch is located. After the amendment to the industry and commerce registration of Fenyi Conch becoming effective, the Company and Ningguo Cement Plant will hold 90% and 10% of the equity interest in Fenyi Conch respectively, while Changxing will cease to hold any equity interest in Fenyi Conch.

(4) Fenyi Conch Consideration: The aggregate consideration for the acquisition of the 49% equity interests in Fenyi Conch by the Company and Ningguo Cement Plant is RMB58,422,300 (equivalent to approximately HK\$55,115,400) and is required to be settled in an one-off payment in cash within 30 days from the date of the signing of the Equity Transfer Agreement. The Company and Ningguo Cement Plant will pay the consideration using their respective working capital.

In order to determine the consideration for the transaction, the Evaluation Report was made. According to the Evaluation Report, as at 31 May 2004 (the reference day of the evaluation), the total assets and net asset value of Fenyi Conch were RMB292,990,200 and RMB119,922,920 respectively. The above equity transaction consideration was determined in accordance with the total asset value of

Fenyi Conch stated in the Evaluation Report instead of the book value of the total assets value of Fenyi Conch as at 31 May 2004 stated in its unaudited management account for the five months ended 31 May 2004 (i.e. RMB251,083,000), which is 16.7% smaller than the total asset value of Fenyi Conch stated in the Evaluation Report because the total asset value of Fenyi Conch stated in the Evaluation Report has taken into account of the change in values of the land use rights and plants owned by Fenyi Conch as at the reference date of the Evaluation Report and after arm's length negotiations between the parties. The consideration is equivalent to 49% of the net asset value as stated in the Evaluation Report of Fenyi Conch, which is equivalent to the share of Changxing in the net asset value of Fenyi Conch. The Board (including the independent non-executive Directors) considers that the consideration is fair and reasonable so far as to the Company and the shareholders of the Company as a whole are concerned.

2. Reasons for entering into the Equity Transfer Agreement

The Company is a holding company, the Company's subsidiaries are engaged in the production and sale of cement and clinker in the PRC. Changxing Company is a limited company established in the PRC and engaged in the sale of steel products, ore, cement, non-ferrous metal and consulting services for the aforesaid related business, the import and export of different commodities and techniques as a principal and as an agent.

The Board (including the independent non-executive directors of the Company) considers that the purchase of Fenyi Conch's equity interests can increase the Company's equity interests in Fenyi Conch and is beneficial to the Company's further expansion and consolidation of the cement markets in Jiangxi and the neighbouring areas, thereby enabling the Company to increase sales and enlarge the Company's market share in the region.

The Board (including the independent non-executive directors of the Company) considers that the Equity Transfer Agreement was conducted on normal commercial terms, which are fair and reasonable, and are in the best interest of the Company and its shareholders as a whole.

3. Connected Transaction

Changxing Company is a Controlling Shareholder of Fenyi Conch, a non-wholly owned subsidiary of the Company and is therefore a connected person of the Company under the Listing Rules. Therefore, the entering into and performance of the Equity Transfer Agreement constitute a connected

transaction of the Company under the Listing Rules. The aggregate consideration regarding the Equity Transfer Agreement and the size test ratios (as prescribed under Chapter 14 of the Listing Rules) obtained by comparing the relevant items of Fenyi Conch with the relevant items of the Group as disclosed in the Group's audited financial statements for the financial year ended 31 December 2003 do not exceed 2.5%. Accordingly, the completion of the Equity Transfer Agreement is only subject to the reporting and announcement requirements under Rules 14A.45 and 14A.47 of the Listing Rules and no independent shareholders' approval is required. Details of the Equity Transfer Agreement will be disclosed in the Company's annual report and financial statements for the year ending 31 December 2004.

4. Information on Fenyi Conch

Fenyi Conch is a limited liability company established in the PRC on 20 August 2001 by the Company and Changxing Company. Fenyi Conch is principally engaged in the production, transportation and sale of cement and clinker, and provision of after-sale services. The principal assets of Fenyi Conch including the production line and production plant for manufacturing of cement and clinker and the land use rights. The registered address is Huzhou Town, Fenyi District, Jiangxi Province, the PRC. The registered capital of Fenyi Conch from the date of its establishment until the date of the signing of the Equity Transfer Agreement was RMB50,000,000, of which 51% was owned by the Company and 49% was owned by Changxing Company, both of which invested at Fenyi Conch's establishment their share in Fenyi Conch's registered capital by cash.

Based on the audited accounts of Fenyi Conch for the financial year ended 31 December 2003, the total asset value of Fenyi Conch as at 31 December 2003 was approximately RMB254,417,000. Based on the unaudited management accounts of Fenyi Conch for the 9 months ended 30 September 2004, its total asset value as at 30 September 2004 amounted to approximately RMB288,683,000 (equivalent to approximately HK\$272,342,452).

In accordance with the audited financial statements of Fenyi Conch for the year ended 31 December 2003, its net profit amounted to approximately RMB14,664,000. In accordance with the unaudited management accounts of Fenyi Conch for the nine months ended 30 September 2004, its net profit amounted to approximately RMB24,750,000 (equivalent to approximately HK\$23,349,000).

The attributable net profits of the assets involved in the Connected Transaction, which is the 49% equity interest in Fenyi Conch, for the two financial years prior to the Connected Transaction were: in accordance with the audited financial statements of Fenyi Conch for the year ended 31 December 2002, its attributable net profits before and after tax and extraordinary items were both -RMB1,799,000; in accordance with the audited financial statements of Fenyi Conch for the year ended 31 December 2003, its attributable net profits

(continued)

5. Definitions

"Company"	means Anhui Conch Cement Company Limited, a company established in the PRC, whose H shares are listed on the Stock Exchange and whose A shares are listed on the Shanghai Stock Exchange
"Connected Transaction"	means the transfer of an aggregate 49% of the equity interest in Fenyi Conch from Changxing Company to the Company and Ningguo Cement Plant pursuant to the terms of the Equity Transfer Agreement
"Ningguo Cement Plant"	means Anhui Ningguo Cement Plant, a wholly-owned subsidiary of the Company
"Changxing Company"	means Shanghai Changxing International Trading Co., Ltd., a limited company established in the PRC, immediately before the completion of the Equity Transfer Agreement, it held 49% of the equity interests in Fenyi Conch
"Evaluation Report"	means the evaluation report ([2004] Heng De Gan Ping Zi number 008) made by Guangdong Heng Xin Delu Certified Public Accountant Co. Ltd. on Fenyi Conch on 1 August 2004 with a reference date of 31 May 2004
"Fenyi Conch"	means Fenyi Conch Cement Co., Ltd., a limited company established in the PRC, 51% of its equity interests were held by the Company immediately before the completion of the Equity Transfer Agreement
"Equity Transfer Agreement"	means the equity transfer agreement entered into on 16 November 2004 between the Company and Ningguo Cement Plant as purchasers and Changxing Company as vendor in relation to the transfer of 49% equity interests in Fenyi Conch
"Group"	means the Company and its subsidiaries
"Board"	means the board of directors of the Company
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange
"Controlling Shareholder"	means the meaning ascribed to it under the Listing Rules
"PRC"	means the People's Republic of China
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"RMB"	means Renminbi, the lawful currency of the PRC
"%"	means per cent

Note: For the purpose of the aforesaid announcement, translation of Renminbi into Hong Kong dollars or vice versa has been calculated by using an exchange rate of HK\$1.00 = RMB1.06

As at the date of this announcement, the Board comprises (i) Messrs Guo Wensan, Li Shunan, Yu Biao, Zhu Dejin and Guo Jingbin as executive directors, and (ii) Ms Xue Tongzu, Mr Kuang Bingwen and Mr Ding Zhiming as independent non-executive directors.

By order of the Board
Zhang Mingjing
Company Secretary

18 November 2004
Wuhu City, Anhui Province, The PRC