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)

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

- Turnover for the six months ended 30 June 2004 was approximately RMB3,788.92 million, representing an increase of approximately 78.98% as compared with the corresponding period last year.
- Profit after taxation and minority interests for the six months ended 30 June 2004 was RMB794.26 million, representing an increase of 255% as compared with the corresponding period last year.
- Earnings per share for the six months ended 30 June 2004 were RMB0.63.

I. BASIC INFORMATION OF THE LISTED COMPANY

1. Basic Information

Name of the Company	安徽海螺水泥股份有限公司 (ANHUI CONCH CEMENT COMPANY LIMITED)
Abbreviation of A Shares	海螺水泥 (Conch Cement)
Stock code of A Shares	600585
Stock Exchange where A Shares are listed	The Shanghai Stock Exchange
Stock code of H Shares	0914
Stock Exchange where H Shares are listed	The Stock Exchange of Hong Kong Limited
Registered address and office address	209 Beijing East Road, Wuhu City, Anhui Province, The People's Republic of China
Postal code	241000
Email address	conch_ah@mail.wh.ah.cn

2. Contact Persons and Details

	Secretary to the Board	Securities affairs representative
Name	Zhang Mingjing	Yang Kaifa
Address	209 Beijing East Road, Wuhu City, Anhui Province, The People's Republic of China	209 Beijing East Road, Wuhu City, Anhui Province, The People's Republic of China
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II. ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

(Except otherwise stated, all monetary figures referred to in this announcement are denominated in RMB, the lawful currency of the People's Republic of China.)

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

(Amount: '000)

Item	From January to June 2004	From January to June 2003	Difference as compared with the same period of the previous year (%)
Net operating income	**3,788,917**	2,116,990	78.98
Net profit	**794,264**	223,726	255.02

	30 June 2004	31 December 2003	Difference as compared with the same period of the previous year (%)
Total assets	**14,569,700**	13,146,581	10.83
Total liabilities	**8,229,917**	7,629,533	7.87

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

(1) *Major accounting data and financial indicators*

(Amount: '000)

Item	30 June 2004	31 December 2003	Difference as compared with the beginning of the year (%)
Current assets	3,159,716	3,195,597	(1.12)
Current liabilities	4,838,349	4,954,646	(2.35)
Total assets	14,753,307	13,333,370	10.65
Shareholders' equity (excluding minority interests)	5,250,114	4,583,726	14.54
Net assets per share (RMB)	4.18	3.65	14.54
Adjusted net assets per share (RMB)	4.18	3.65	14.54

Item	From January to June 2004	From January to June 2003	Difference as compared with the same period of the previous year (%)
Net profit	791,924	221,808	257.03
Net profit after deduction of extraordinary profit or loss	790,389	225,432	250.61
Earnings per share (RMB)	0.63	0.187	236.90
Return on net assets	15.08%	6.44%	8.64 percentage points
Net cash flows from operating activities	877,793	897,300	(2.17)

(2) *Extraordinary item of loss/profit for the Reporting Period (from 1 January 2004 to 30 June 2004) and its amount:*

(Amount: '000)

Item	Amount
Non-operating profit or loss, net (after tax)	1,535

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

(Amount: '000)

	Net profit		Shareholders' equity	
	From 1 January 2004 to 30 June 2004 *(Unaudited)*	From 1 January 2003 to 30 June 2003 *(Unaudited)*	**30 June 2004 *(Unaudited)***	31 December 2003 *(Audited)*
As reported in statutory financial statements prepared in accordance with PRC Accounting Standards	**791,924**	221,808	**5,250,114**	4,583,726
Adjustment made in accordance with the IFRS:				
— Recognised as negative goodwill under IFRS	**421**	—	**(2,712)**	(3,132)
— Proposed distribution of dividend in subsequent period	**—**	—	**—**	—
— Reversal of revaluation surplus of leasehold land	**1,919**	1,918	**(165,659)**	(167,577)
As reported in accordance with the IFRS	**794,264**	223,726	**5,081,743**	4,413,017

III. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

1. Shareholdings of the top 10 shareholders and top 10 public shareholders

Total number of shareholders at the end of the Reporting Period: 7,340

Shareholdings of the top 10 shareholders and top 10 public shareholders

Name of Shareholders	No of shares held (shares)	Percentage of shareholdings (%)	Class of shares (listed or unlisted)	Nature of shareholders (state-owned shares or foreign shares)
Anhui Conch Holdings Company Limited	622,480,000	49.57	Unlisted	State-owned legal entity shares
HKSCC Nominees Limited	429,591,898	34.21	Listed	H Shares
Jingfu Securities Investment Fund	16,151,865	1.29	Listed	A Shares
Guo Xin Securities Company Limited	12,200,415	0.97	Listed	A Shares
Tongqian Securities Investment Fund	11,071,760	0.88	Listed	A Shares
Rongtong New Blue Chip Securities Investment Fund	10,198,674	0.81	Listed	A Shares
Shenzhen International Trust & Investment Co., Ltd.	9,234,334	0.74	Listed	A Shares
Bank of China-Jinghong Securities Investment Fund	7,516,644	0.60	Listed	A Shares
Bank of Communications — Hanxing Securities Investment Fund	7,343,027	0.58	Listed	A Shares
Bank of China-Yinhua Superior Enterprise Investment Fund	6,008,335	0.48	Listed	A Shares
Bank of Communications — Kerui Securities Investment Fund	5,978,191	0.48	Listed	A Shares

Statement on connections or concerted actions among top 10 shareholders	Of the above shareholders, the holder of the legal entity shares is not a connected party to any of such public shareholders, nor is it a party acting in concert with any of them. Amongst the public shareholders, except the relationships between Jingfu Securities Investment Fund and Jinghong Securities Investment Fund, between Guo Xin Securities Company Limited and Shenzhen International Trust & Investment Co., Ltd. and between Tongqian Securities Investment Fund and Rongtong New Blue Chip Securities Investment Fund, the Company is not aware of any connected relationship amongst the above-mentioned shareholders.

2. Purchase, Sale and Redemption of Listed Securities

For the six months ended 30 June 2004, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities of the Company.

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

1. Service contracts, interest in share capital and contracts of the directors and supervisors

During the Reporting Period, none of the directors or supervisors of the Company had any material interest in any contracts entered into by the Company or its subsidiaries.

2. Code of Best Practice for directors

For the six months ended 30 June 2004, the directors of the Company were not aware of any non-compliance on the part of the Company with the Code of Best Practice as set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

V. MANAGEMENT DISCUSSION AND ANALYSIS

Business Environment

In the first six months of 2004, the Chinese economy maintained rapid growth with a GDP growth rate of about 9.7%. Some regions saw excessive growth in fixed asset investments, resulting in tight supply of coal, electricity, oil and transportation capacity. In view of this situation, the government made an important decision by adopting a series of austerity measures to ensure ongoing, stable and healthy development of the national economy, and such measures had achieved initial results.

The austerity measures prompted the restructuring of the cement industry and hastened the pace of elimination of production activities employing outdated technologies. In the process of eliminating small-capacity cement production, there was a combination of government guidance and market adjustment. Provincial and municipal authorities in Eastern China promulgated policies and medium-to-long-term planning for restructuring their cement industries. Zhejiang Province, for example, made plans to close down 50% of technologically backward vertical kilns currently in operation in the province by 2005, and the remaining ones by 2007. In Shanghai, it was planned that 20 small-capacity cement factories (i.e. with an annual production capacity of less than 1 million tonnes) will be closed down by 2006. In the medium to longer term, the Group will benefit from the current austerity measures.

Highlights of Operations

During the Reporting Period, the Group strictly followed the government's policies on austerity measures to deal with adverse factors such as tight supply of coal and electricity and generally overloaded transportation. The group increased its profitability by proactively responding to market changes, realigning its marketing strategies and expanding market share in a prudent manner.

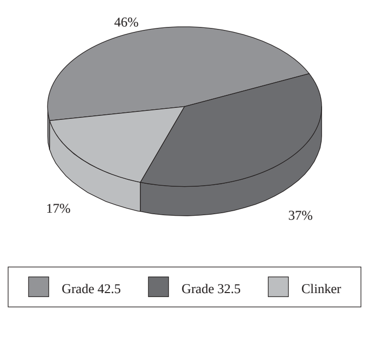
According to the PRC Accounting Standards, the Group's operating income from principal operations for the six months ended 30 June 2004 amounted to 3,815.91 million, representing an increase of 79% compared to the corresponding period last year. Profit after tax and minority interests amounted to 791.92 million, representing a 257% growth compared to the corresponding period last year. Earnings per share were 0.63. According to IFRS, net sales revenue amounted to 3,788.92 million, representing a 79% growth compared to the corresponding period last year. Profit after tax and minority interests amounted to 794.26 million, representing a 255% growth compared to the corresponding period last year. Earnings per share were 0.63.

During the Reporting Period, the following clinker production lines were completed and commenced operations: the clinker production line of Huaining Conch with daily production capacity of 5,000 tonnes, the first clinker production line of Tongling Conch with daily production capacity of 10,000 tonnes and the clinker production line of Zongyang Conch with daily production capacity of 10,000 tonnes. The clinker production line with daily production capacity of 10,000 tonnes at Tongling Conch is the first of its kind in China, filling a gap in the domestic cement industry in this regard and is a benchmark for attaining the international advanced technical standard in the cement industry. During the Reporting Period, the "Conch" trademark was designated as a "Famous Brandname in China" by the State Administration for Industry and Commerce, being the only brand name in the cement industry to have received such accreditation in China.

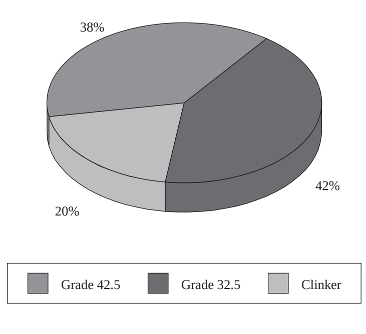
The Group's net sales volume for the Reporting Period amounted to 14.56 million tonnes, representing a 32% increase compared to the corresponding period last year. The Group's sales in major target markets continued to surge and our market share was further consolidated and increased. Meanwhile a total of 320,000 tonnes of clinker were exported, representing an increase of 39% compared to the amount of annual export for last year, reflecting proactive efforts to explore the international market.

Percentage of sales volume by product

January to June 2004



January to June 2003



Breakdown of sales amount by products

(Amount: '000)

Item	From January to June 2004 Amount	Percentage (%)	From January to June 2003 Amount	Percentage (%)
Cement				
Grade 42.5	**1,936,403**	**50.75**	913,786	42.87
Grade 32.5	**1,345,408**	**35.25**	867,011	40.68
Sub-total	**3,281,811**	**86.00**	1,780,797	83.55
Clinker	**534,095**	**14.00**	350,487	16.45
Total	**3,815,906**	**100.00**	2,131,284	100.00

Breakdown of sales of product by region

(Amount: '000)

Item	From January to June 2004 Amount	Percentage (%)	From January to June 2003 Amount	Percentage (%)	Difference in Amount (%)
Jiangsu Province	**1,195,638**	**31.33**	692,429	32.49	72.67
Zhejiang Province	**981,757**	**25.73**	500,020	23.46	96.34
Shanghai City	**618,859**	**16.22**	417,988	19.61	48.06
Anhui Province	**553,165**	**14.50**	313,533	14.71	76.43
Jiangxi Province	**309,250**	**8.10**	116,756	5.48	164.87
Fujian Province	**96,914**	**2.54**	90,558	4.25	7.02
Export	**60,323**	**1.58**	—	—	—
Total	**3,815,906**	**100.00**	2,131,284	100.00	79.04

Profit Analysis

An analysis of major changes to the Group's income statement prepared in accordance with PRC Accounting Standards is set out as follows:

Major changes to the Group's income statement prepared in accordance with PRC Accounting Standards

(Amount: '000)

Item	Amount: From January to June 2004	From January to June 2003	Increase/Decrease over the same period of last year (%)
Income from principal operations	**3,815,906**	2,131,284	79.04
Profit from principal operations	**1,803,312**	773,435	133.16
Total profit	**1,495,875**	473,655	215.82
Net Profit	**791,924**	221,808	257.03
Net cash flow from operating activities	**877,793**	897,300	(2.93)

During the Reporting Period, the profit from the Groups principal operations was 1,803.31 million, representing an increase of 133% compared to the corresponding period last year. Total profit of the Group amounted to 1,495.88 million, representing an increase of 216% compared to the corresponding period last year. The larger growth in total gross profit as compared to the growth in profit from principal operations underpinned the benefit of further economies of scale, as ongoing capacity expansion of the Group's subsidiaries resulted in substantial increase in production and sales.

Prices

The Company's efforts to rationalise its market distribution and develop a marketing network are paying off well to ensure steady increase in the Company's sales and prices, with significant growth in the Group's operating income and profit. Consolidated average unit price of the Group's products for the Reporting Period increased by 35.5% as compared to the corresponding period last year. The Group was able to maintain selling prices at a higher level underpinned by traditionally strong demands in the first quarter. The consolidated price of 277 per tonne was 44% higher as compared to the corresponding period last year. In response to oversupply and fierce competition in the second quarter, the Company took the initiative to adjust prices in a bid to increase sales. Although the consolidated average price dropped by 9.7% in the second quarter as compared to the first quarter, sales increased by 15%.

Cost

The major factor affecting the Company's results during the Reporting Period was coal supply. Coal prices paid by the Group was 31% higher as compared with the corresponding period last year, as undersupply in the coal market resulted in substantial price hikes. The Group ensured its production requirements by improving the organisation of coal procurement and distribution and as a result its production was not affected by problems in coal supply. The Group succeeded in bringing costs under effective control by enhancing the utilisation rates of equipment, implementing standardised cost controls, reducing consumption, pursuing technological upgrades and adopting other management measures. As a result, consolidated costs increased by only 12% on a year-on-year basis.

Gross Profit Margin

During the Reporting Period, the consolidated gross profit margin of the Group's products was 48%, which was 11 percentage points higher that the corresponding period last year. This was mainly attributable to the increase in product prices by a larger percentage than the inflation of costs, coupled with increased sales of Grade 42.5 cement, a product with a higher margin, in response to market demands. This product accounted for 46% of the Company's sales, which was 8 percentage points higher compared to the corresponding period last year.

Gross Profit for the period from January 2004 to June 2004 by product and comparison

(Amount: '000)

Product type	Income from principal operations	Cost of principal operations	Gross profit margin for the Reporting Period (%)	Gross profit margin for the corresponding period last year (%)	Year-on-year change of percentage points in gross profit margin
Grade 42.5	1,936,403	1,021,102	47.27	39.20	8.07
Grade 32.5	1,345,408	684,521	49.12	34.22	14.90
Clinker	534,095	279,982	47.58	37.90	9.68
Total	3,815,906	1,985,605	47.97	36.96	11.01

Expenses

During the reporting period, the Group's sales expenses continued to decrease as the bulk cement increased by 10 percentage points compared to the corresponding period last year, resulting in a sales expense ratio of 1.16 percentage points lower than that in the corresponding period last year. Meanwhile the Company implemented rigid cost estimate controls to achieve an administrative cost ratio which was 1.76 percentage points lower than the corresponding period last year.

The Group's EBITDA for the Reporting Period was 1,857.45 million, or 0.49 as a ratio to income from principal operations, which was 0.13 higher compared to the corresponding period last year.

Financial Position

Assets-liabilities Structure

As at 30 June 2004, based on the PRC Accounting Standards, the Group's total assets, total liabilities and net assets amounted to 14,753 million, 8,230 million and 5,250 million, respectively.

The gearing ratio calculated in accordance with the PRC Accounting Standards was 55.78%, which represented a decrease of 1.44 percentage points as compared with that of the end of last year; while the net debt-to-equity ratio calculated in accordance with the IFRS was 0.84, representing an increase of 0.20 percentage points as compared with that of last year. The main reason for the increase of net liabilities is the Group's rapid growth that led to further increase in the scale of credit facilities and moderate containment of cash reserves. However, the Group took initiative to reduce financial risks by monitoring key financial indicators and optimising funds applications while ensuring full collection of its sales proceeds. Moreover, the Group's interest coverage was higher at 13.8, as compared with 6.68 for the same period last year.

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

(Amount: '000)

Items	**As at 30 June 2004**	As at 31 December 2003	**Increase/decrease over the beginning of the year** *(%)*
Fixed assets	**11,003,141**	9,627,089	14.28
Current and other assets	**3,750,166**	3,706,281	1.18
Total assets	**14,753,307**	13,333,370	10.65
Current liabilities	**4,838,349**	4,954,645	(2.35)
Non-current liabilities	**3,391,558**	2,674,887	26.79
Minority interests	**1,273,287**	1,120,112	13.67
Shareholder's equity	**5,250,114**	4,583,726	14.54
Total liabilities and equity	**14,753,307**	13,333,370	10.65

Liquidity and source of funds

As at 30 June 2004, the Group's total current assets amounted to 3,159.72 million, while its total current liabilities amounted to 4,838.35 million, according to the PRC Accounting Standards. The current ratio, which is derived from dividing current assets by current liabilities, is 0.65.

As at 30 June 2004, the Group's total current assets amounted to 3,159.73 million, while its total current liabilities amounted to 4,838.36 million, in accordance with the IFRS. Net current liabilities amounted to 1,678.63 million.

Maturity analysis of bank loans of the Group as at 30 June 2004 is as follows:

	As at 30 June 2004 *('000)*	As at 31 December 2003 *('000)*
Due within 1 year	**2,813,689**	2,526,721
Due after 1 year but within 2 years	**894,269**	619,702
Due after 2 years but within 5 years	**2,351,360**	1,898,760
Due after 5 years	**80,000**	80,000
Total	**6,139,318**	5,125,183

As at 30 June 2004, the Group's loan balance in foreign currency amounted to approximately US$39,727,200 (equivalent to approximately RMB328.83 million), of which loans with maturity not exceeding one year amounted to US$25,727,200. The Group will monitor closely changes in the foreign exchange market and assess its exchange rate risks in a prudent manner.

As at 30 June 2004, the Group's machinery and equipment with a net book value of approximately 94.90 million were pledged as security for short-term borrowings (As at 31 December 2003: machinery and equipment with a net book value of approximately 99.54 million were pledged as security for short-term borrowings).

As at 30 June 2004, capital commitments in respect of the purchase of machinery and equipment for production purposes that should be honoured but have not been provided for in the accounts were as follows:

	As at 30 June 2004 *('000)*	As at 31 December 2003 *('000)*
Authorised and contracted for	**601,114**	381,185
Authorised but not contracted for	**653,819**	973,517
Total	**1,254,933**	1,354,702

A summary of the Group's net cash flow in the first six months of year 2004 as calculated in accordance with PRC Accounting Standards is set out as follows:

	From January 2004 to June 2004 *('000)*	From January 2003 to June 2003 *('000)*
Net cash flow from operating activities	**877,793**	897,300
Net cash flow from investment activities	**(1,723,131)**	(1,407,230)
Net cash flow from financial activities	**333,746**	413,770
Net increase in cash and cash equivalents	**(511,592)**	(96,160)
Cash and cash equivalents at the beginning of the year	**2,248,604**	799,447
Cash and cash equivalents at the end of the reporting period	**1,737,012**	703,287

Net outflow of cash of the Group for the Reporting Period amounted to 511.59 million, representing an increase of 415.43 million compared to the corresponding period last year. The increase was due to the Group's increased investment in project construction in accordance with plans to expand its scale of production.

The Group currently has sufficient liquidity resources. As at 30 June 2004, cash on hand and bank deposits (as calculated in accordance with PRC Accounting Standards) amounted to 1,742.77 million, which is sufficient for the Group to meet its normal business commitments and loan repayment. Meanwhile, the Group continued to pursue a prudent financial management policy as well as an scientific approach to development. Coupled with the adoption of a stringent sales settlement policy and prudent planning in project investment, the Group secured a steady source of cash inflows from its operating activities. During the Reporting Period, net cash flow from operating activities amounted to 877.79 million.

Capital expenditure

The planned capital expenditure of the Group in 2004 was 2.7 billion. During the reporting period, the aggregate of investment activities and capital expenditure of the Group amounted to 1.76 billion, which was mainly applied in the acquisition of immovable assets, plant and equipment and the expansion of the Group's production capacity of clinker and cement grinding.

Project Investments of the Group

1. ***Investment projects financed by the proceeds from the placing of H Shares***

Net proceeds from the Group's placing of 72,200,000 H Shares on 5 November 2003 (after deduction of the expenses of placing) amounted to 617.62 million, out of which 586.68 million had been invested in the development of the Group's principal cement operations and 30.94 million had been used as additional working capital for the Company. As at the end of the Reporting Period, the proceeds had been fully utilised. Details of projects financed by proceeds from the placing during the Reporting Period are set out as follows:

(Amount: '000)

No.	**Project name**	**Proposed investment**	**Actual investment**	**Progress of the project**	**Whether scheduled progress and expected revenues are met**
1	1.50 million tonne per annum clinker project of Huaining Conch Co., Ltd, Phase 2	300,000	300,000	Under construction	Yes
2	1.50 million tonne per annum cement and clinker project of Hunan Shuangfeng	136,680	136,680	Under construction	Yes
	Total	436,680	436,680		

2. ***Significant projects not financed by the proceeds from the placing of H Shares***

(Amount: '000)

No.	**Project name**	**Progress of project**	**Amount invested during the Reporting Period**
1	3 million tonne per annum clinker production line No. 1 of Tongling Conch Cement Co., Ltd	Trial production	220,340
2	3 million tonne per annum clinker production line No. 2 of Tongling Conch Cement Co., Ltd	Under construction	
3	3 million tonne per annum clinker production line of Zongyang Conch Cement Co., Ltd	Trial production	129,390
4	2 clinker production lines (1.50 million tonne per annum each) with ancillary cement grinding system of China Cement Co., Ltd	Under construction	217,220
5	Technological upgrade and expansion project of 1.60 million tonne per annum cement grinding production line of Zhangjiagang Conch Cement Co., Ltd, Phase 3	Operation commenced	50,840
6	Technological upgrade and expansion project of 1.10 million tonne per annum cement grinding production line of Nanjing Conch Cement Co., Ltd, Phase 3	Trial production	28,820
7	1.50 million tonne per annum cement grinding production line of Huai'an Conch Co., Ltd	Under construction	49,610
8	1.65 million tonne per annum cement grinding production line of Taicang Conch Cement Co., Ltd	Under construction	90,580
9	1.65 million tonne per annum cement grinding production line of Taizhou Conch Cement Co., Ltd	Under construction	8,500

3. ***Establishment of Companies***

(1) *Wujiang Conch Cement Co., Ltd*

On 8 January 2004, the Company together with its subsidiary, China Cement Co., Ltd, invested in Wujiang Conch Cement Co., Ltd in Wujiang City, Hunan Province, contributing 45 million, which account for 90% of its entire registered capital of 50 million.

(2) *Shuangfeng Conch Cement Co., Ltd*

On 29 February 2004, the Company invested in Shuangfeng Conch Cement Co., Ltd in Shuangfeng County, Hunan Province, contributing 136.68 million, which account for 51% of its entire registered capital of 268 million.

(3) *Jiangsu Baling Conch Cement Co., Ltd*

On 26 March 2004, the Company invested in Jiangsu Baling Conch Cement Co., Ltd in Yancheng City, Jiangsu Province, contributing 25.27 million, which account for 75% of its entire registered capital of 32.96 million.

(4) *Maanshan Conch Cement Co., Ltd*

On 7 April 2004, the Company together with its subsidiary, China Cement Co., Ltd invested in Maanshan Conch Cement Co., Ltd in Maanshan City, Anhui Province, and the Company held a portion of its registered capital of contributing 45 million, which account for 90% of its entire registered capital of 50 million.

(5) *Anhui Xuancheng Conch Cement Co., Ltd*

On 22 April 2004, the Company together with its subsidiary, Anhui Ningguo Cement Co., Ltd invested in Anhui Xuancheng Conch Cement Co., Ltd in Xuancheng City, Anhui Province, contributing 90 million, which account for 90% of its entire registered capital of 100 million.

Outlook for the second half of the year

While the Government is going to launch further austerity measures, it is not expected that the problems of coal and power shortage will be resolved radically in the immediate future. Nevertheless, austerity measures are not expected to have very material impact on the Company's expansion plans, as long as China's economy can maintain an overall trend of sustained growth.

While the Government will adopt more stringent approval procedures for project construction, all projects planned by the Company are technologically advanced large-scale production lines in line with State industrial policies. The Company has plans to commission 6 clinker lines in 2004, which will generate an additional capacity of approximately 13.50 million tonnes of clinker. The second clinker production line of Tongling Conch with daily production capacity of 10,000 tonnes and the production line with daily production capacity of 5,000 tonnes of each of China Cement and Shuangfeng Conch will also commence operation in the second half of the year.

In terms of funding, the Company's investments in new projects are unlikely to be affected by a tightened grip on loans, because there are sufficient funds at its disposal due to its prudent sales policies and risk control strategies.

While austerity measures will stifle market demands, there will be opportunities for the Company, backed by its strengths in production capacity and economies of scale, to consolidate selected regional markets and gradually increase its market share in the industry restructuring process through the elimination of small-capacity cement plants. Meanwhile, the Company will also continue to increase its exports.

Looking to the second half of the year, the Group will focus on improving the quality of the operation of its production management system. It will continue to develop a production cost assessment system based on controllable costs, with a view to optimising and lowering consumption indicators, containing non-operating expenses and continuously enhancing the quality of operation. Meanwhile, substantial year-on-year growth in the Company's nine-month results is expected.

VI. EMPLOYEES AND EMOLUMENTS

As at 30 June 2004, the Group had a total of 11,632 employees whose aggregate remuneration amounted to 92,751,253, being the total emoluments of employees for the Reporting Period.

VII. GUARANTEES

The Company provided guarantees in respect of loans to its subsidiaries an aggregate amount of 445 million and a guaranteed amount with outstanding obligations of 1,011.25 million, all of which were joint liability guarantees for the time being in force.

Companies guaranteed	**Guarantee amount** *('000)*	**Date of incurrence**	**Term of guarantee**
China Cement Co., Ltd	100,000	2004.03.11	1 year
	50,000	2004.03.20	1 year
	50,000	2004.03.26	1 year
	70,000	2004.06.09	1 year
	50,000	2004.06.24	1 year
Huaining Conch Cement Co., Ltd	50,000	2004.04.29	5 years
Ningbo Conch Cement Co., Ltd	50,000	2004.04.12	1 year
	10,000	2004.02.13	1 year
Shangyu Conch Cement Co., Ltd	15,000	2004.02.05	1 year
Sub-total	445,000		
Tongling Conch Cement Co., Ltd	50,000	2001.12.29	3 years
	20,000	2003.09.19	3 years
	40,000	2003.09.23	3 years
Chizhou Conch Cement Co., Ltd	80,000	2002.06.11	15 years
China Cement Co., Ltd	50,000	2003.12.20	1 year
Huaining Conch Cement Co., Ltd	50,000	2003.06.26	3 years
	50,000	2003.09.23	3 years
	50,000	2003.12.05	3 years
	50,000	2003.12.18	3 years
Ningbo Conch Cement Co., Ltd	30,850	2003.09.06	1 year
	28,000	2003.09.11	1 year
Zhangjiagang Conch Cement Co., Ltd	10,000	2001.05.31	4.5 years
	7,400	2001.06.29	4.5 years
Nanjing Conch Cement Co., Ltd	30,000	2003.09.18	1 year
Bangbu Conch Cement Co., Ltd	20,000	2003.01.27	3 years
Total	1,011,250		

VIII. AUDIT COMMITTEE

During the Reporting Period, the audit committee has performed its functions in accordance with paragraph 14 of Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and has reviewed the interim report for the year 2004.

IX. CONSOLIDATED INCOME STATEMENTS
(Amounts expressed in thousands of RMB except for earnings per share)

The unaudited consolidated results of the Group for the six months ended 30 June 2004 together with the comparatives for the six months ended 30 June 2003, prepared in accordance with the IFRS and presented on the basis described in Note 1 below are as follows:

	For the six months ended 30 June	
	2004	2003
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Revenue, net	**3,788,917**	2,116,990
Cost of sales	**(1,982,992)**	(1,340,943)
Gross profit	**1,805,925**	776,047
Distribution costs	**(158,562)**	(137,394)
Administrative expenses	**(133,226)**	(104,196)
Other operating expenses, net	**(1,933)**	(6,372)
Profit from operations	**1,512,204**	528,085
Finance costs, net *(Note 3)*	**(115,810)**	(82,949)
Gains from equity investment in associate companies	**8,743**	97
Subsidy income	**93,911**	31,172
Profit before tax and minority interests *(Note 3)*	**1,499,048**	476,405
Income tax expense *(Note 4)*	**(381,025)**	(159,654)
Profit after tax but before minority interests	**1,118,023**	316,751
Minority interests	**(323,759)**	(93,025)
Net profit	**794,264**	223,726
Dividends *(Note 5)*	**125,568**	59,174
Earnings per share *(Note 6)*		
— Basic	**RMB0.63**	RMB0.19
— Diluted	**N.A.**	N.A.

Notes:

1. **Accounting Policies and Basis of Preparation**

The accompanying condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") 34 "Interim Financial Reporting" promulgated by the International Financial Report Standards Board and Appendix 16 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The principal accounting policies adopted in preparing the interim financial statements of the Group are the same as those adopted in the preparation of the annual financial statements as of and for the year ended 31 December 2003.

The basis of accounting differs from that used in the preparation of the Group's statutory accounts which are prepared in accordance with Accounting Standards for Enterprises and the Accounting Regulations of the People's Republic of China (the "PRC") for Business Enterprises ("Statutory Accounts"). The adjustments made to conform the Statutory Accounts of the Group to IFRS are shown in No. 3 under "Accounting data and financial indicators".

Cost that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would be also appropriate to anticipate or defer such costs at the end of the financial year.

These interim financial statements should be read in conjunction with the 2003 annual financial statements.

2. **Principles and Basis of Consolidation**

The accompanying condensed interim consolidated financial statements include the accounts of Anhui Conch Cement Company Limited (the "Company") and its subsidiaries (hereinafter together with the Company referred to as the "Group").

All significant intra-company balances and transactions, including intra-company profits and losses and resulting unrealised profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

A subsidiary is a company over which the Company exercises control. Control exists when the Company has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities.

3. **Profit Before Tax and Minority Interests**

Profit before tax and minority interests in the condensed consolidated income statement was determined after charging the following items:

	For the six months ended 30 June	
	2004	2003
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Interest expenses on borrowings	**141,360**	107,103
Less: Amounts capitalised in construction-in-progress	**(13,760)**	(20,589)
Interest expense	**127,600**	86,514
Interest income	**(11,867)**	(3,569)
Net foreign exchange loss/gain	**77**	4
Finance cost, net	**115,810**	82,949
Amortisation of leasehold land	**4,708**	4,295
Depreciation of property, plant and equipment	**234,733**	190,396
Amortisation of intangible assets	**3,763**	3,985
Salary and remuneration	**92,730**	66,297
Staff welfare	**26,040**	20,558
Inventory cost	**1,199,100**	815,775
Packaging fees	**58,039**	33,603
Utilities	**549,247**	343,259

4. **Income Tax Expense**

Individual companies within the Group are generally subject to Enterprise Income Tax ("EIT") at 33 per cent on taxable income determined according to the PRC tax laws except the following companies.

Hailuo Cement is a foreign investment enterprise ("FIE"). In 2003, Hailuo Cement was recognised as a FIE incorporated in the midst of China, and thus is entitled to a reduced rate of 15 per cent from 2003 to 2005.

Mingzhu Cement and Shanghai Hailuo Cement Sales Co., Ltd. were incorporated in Shanghai Pudong New Area, thus the applicable enterprise income tax rate of both companies is 15 per cent.

During the interim reporting period, income tax expense in the condensed consolidated income statement comprised:

	For the six months ended 30 June	
	2004	2003
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Income tax expense		
— current	**381,025**	159,654

There were no Hong Kong profits tax liabilities as the Group did not earn any income subject to Hong Hong profits tax.

As of 30 June 2004, there was no material unprovided deferred tax.

5. **Dividends**

During this interim reporting period, the shareholder's meeting approved the dividend appropriation for 2003 of approximately RMB125,568,000 (RMB 0.1 per share) (corresponding period of 2003: RMB59,174,000 (RMB 0.05 per share)), which has been paid-off as of 30 June 2004.

The directors do not recommend any interim dividend for the six months ended 30 June 2004 (corresponding period of 2003: nil).

6. **Earnings Per Share**

The calculation of basic earnings per share was based on the unaudited consolidated net profit of approximately RMB 794,264,000 for the six months ended 30 June 2004 (corresponding period of 2003: approximately RMB223,726,000) divided by the weighted average number of1,255,680,000 ordinary shares (corresponding period of 2003: 1,183,480,000 ordinary shares) in issue during the period.

No calculation of diluted earnings per share were made, as the Company had no potentially dilutive shares.

By Order of the Board
Guo Wensan
Chairman

Wuhu, Anhui, PRC, 9 August 2004

The Company will submit a CD-Rom to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") containing all of the information required by paragraphs 46(1) and 46(6) (both paragraphs inclusive) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange on or before 9 August 2004 for publication on the Stock Exchange's website.