

Significant Events

(I) Corporate governance

During the Reporting Period, the Company's governance complied with requirements of the relevant laws and regulations. The general meeting of the Company, the Board and the supervisory committee each discharged its own duties in the way to ensure there was an independent, effective and transparent decision-making process. The management team appointed by the Board worked exclusively for the listed company without concurrently holding positions with the controlling shareholder. The assets of the listed company are intact and its business is independent. Its staff, organisation and finance are independent from the controlling shareholder. No fund transactions and guarantees had been conducted against regulations.

Currently, the Board of the Company comprises 8 directors, 3 of whom are independent non-executive directors. Thus, the total number of independent non-executive directors represents more than one-third of the total number of directors of the Company. Among the 3 members in the committee of supervisors of the Company, 2 of them are external supervisors.

(II) Implementation of the profit allocation proposal

The resolution regarding the profit allocation proposal for 2003 was passed at the 2003 annual general meeting of the Company held on 12 May 2004. Based on the total number of shares of 1,255,680,000 as at the end of year 2003, a final dividend of 0.10 per share (tax included) was paid, making up a total of 125.568 million. The above-mentioned dividend was paid to all the shareholders whose name appeared on the register on the registration date.

(III) Material litigation and arbitration

For the six months ended 30 June 2004, the Group was not involved in any litigation or arbitration, which might have a significant impact on the Group's business operation, nor were any of the members of the Group or any of the directors, supervisors or senior management of the Group involved in any material litigation or arbitration.

(IV) Material acquisitions, disposals and reorganisations of assets

During the Reporting Period, the Company was not involved in any material acquisition, disposal or reorganisation of assets.

(V) Significant connected transactions

1. Use of trademark

On 23 September 1997, the Company and Conch Holdings entered into a Trademark Licensing Agreement, pursuant to which the Company is required to pay Conch Holdings a royalty of 1,513,000. As at 30 June 2004, the royalty was 756,500, which had been settled in full by the Company.

2. Composite services

The Company and Conch Holdings entered into a composite services contract for a term of 10 years commencing on 1 September 1997 (the date of establishment of the Company). Pursuant to the contract, the Company had to pay Conch Holdings a fee of 1,093,300, which had been settled in full by the Company, in return for the services, facilities and necessities provided or arranged by Conch Holdings during the Reporting Period.

3. Supply of cement package bags

The Company purchased cement package bags from Anhui Ningchang Packing Material Co., Ltd. and Wuhu Hailuo Plastic Manufacturing Company Limited (both being Sino-foreign joint ventures with 75% equity interests held by Conch Holdings), at the trading prices determined by the parties through arm's length negotiations on the basis of fair market prices. Amounts payable in respect of the package bags were settled in the form of cash or bank cashier orders within a certain period after deliveries were made. Centralised procurement of cement package bags from the aforesaid companies helped to lower procurement costs and facilitated centralised management of the "Conch" brand name.

During the Reporting Period, all cement package bags of the Group were purchased from the aforesaid companies and the aggregate amount paid for the purchases was 71.35 million.

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4. Commodity sales

Pursuant to an import and export agency and sales agreement entered into between the Company and Shanghai Conch Construction Material International Trading Company Limited (“Shanghai Conch”) (which was being approved in the Company’s general meeting), Shanghai Conch will export cement or clinker products for the Group, import clinker and purchase equipment for cement production from foreign suppliers for the Group, and purchase cement and clinker products from the Group. The Group will pay to Shanghai Conch a commission equivalent to 1.5% of the amount of each import or export deal concluded by Shanghai Conch, sell cement and clinker to Shanghai Conch at a fair and reasonable prices and terms. The Group should make the commission payment to Shanghai Conch upon the completion of each import deal. The Group should also settle any payment for the purchase of cement and clinker within the period stipulated in the agreement.

During the Reporting Period, all import and export activities of the Group were conducted through Shanghai Conch, which received from the Group a total of 1.80 million as commission payment. Sales of cement and clinker to Shanghai Conch amounted to 38.38 million in aggregate, accounting for 1% of the Group’s sales of products.

5. Shipping services

Pursuant to the transportation agreement entered into between the Company and Shanghai Conch Logistics Company Limited (“Shanghai Logistics”) (which has been approved by the Company’s shareholders), Shanghai Logistics will provide to the Group non-exclusive shipping services for the delivery of cement and clinker products, coal ash and accessory materials, as well as imported equipments. Having regard to the actual circumstances of the transportation market, the parties will determine a reasonable shipping fee by reference to the shipping tariff schedule published by the relevant ministry of transport from time to time. Such shipping fees are payable by the Group to Shanghai Logistics within the period stipulated in the agreement upon completion of the delivery of goods concerned.

During the Reporting Period, the shipping fees paid to Shanghai Logistics by the Group amounted to 136.71 million, accounting for 100% of similar fees payable by the Group.

(VI) Material contracts

1. The Company was not involved in any material custody, underwriting or leasing of assets of other companies, nor were any other companies involved in any material custody, underwriting or leasing of assets of the Company during the Reporting Period or during the previous period but subsisted onto the Reporting Period.

2. Guarantees

- (1) As at 30 June 2004, the Company provided guarantees in respect of loans to subsidiaries with 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		

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- (2) As at 30 June 2004, machinery and equipment of the Company's subsidiary Ningbo Conch Cement Co., Ltd with a book value of approximately 94.90 million were pledged to the bank as security for its short-term borrowings.
- (3) Independent directors' statement and independent opinion on the external guarantees provided by the Company

The Company has regulated the provision of external guarantees and controlled the risks associated therewith in strict accordance with the relevant requirements of the articles of association of the Company and "the Notice on Certain Issues concerning the Regulation of Financial Transactions Between a Listed Company and Its Connected Parties and the Provision of External Guarantees By a Listed Company" (Zheng Jian Fa 2003 No. 56) issued by the China Securities Regulatory Commission. All guarantees provided to external parties by the Company during the Reporting Period were guarantees given in respect of loans to subsidiaries approved by the Board. The Company has not provided any guarantees to the controlling shareholder and any connected parties in which the Company holds an interest of 50% or less, any non-corporate entities or individuals. Neither have the controlling shareholder and other connected parties obliged the Company to provide guarantees for third parties.

3. During the Reporting Period, the Company did not make any significant appointment for the management of its cash or assets.

(VII) Appropriation of company funds by controlling shareholder and its subsidiaries

There was no appropriation of company funds by the controlling shareholder and other connected parties during the Reporting Period, other than that unsettled amounts arising in the course of normal business.

(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 of the year 2004.

(IX) Taxation

Details of taxation are set out in Note 4 "Income Tax Expense" to the accounting statements.

(X) Index of other important information

During the Reporting Period, other important information of the Company was published as follows:

No.	Item	Date of Publication	Media	Page
1.	Announcement on the restructuring of Anhui Conch Group Co., Ltd	2004.2.21	China Securities Journal Hong Kong Wen Wei Po The Standard	42 A10 B-27
2.	Summary of annual report 2003 Announcement of resolutions of the 13th meeting of the 2nd Board of Directors Announcement of resolutions of the 10th meeting of the 2nd Supervisory Committee Notice convening the annual general meeting 2003	2004.3.17	Shanghai Securities Journal China Securities Journal Hong Kong Wen Wei Po The Standard	57, 60 56 A22, A23 B-12 to B-17
3.	First quarterly results 2004	2004.4.28	Shanghai Securities Journal China Securities Journal Hong Kong Wen Wei Po The Standard	48 38 B9 N-33
4.	Connected Transaction Announcement Announcement of resolutions of the 14th meeting of the 2nd Board of Directors	2004.5.10 2004.5.3	Shanghai Securities Journal China Securities Journal Hong Kong Wen Wei Po The Standard	12 27 A23 B-12
5.	Notice convening the first extraordinary general meeting 2004	2004.5.11	Shanghai Securities Journal China Securities Journal Hong Kong Wen Wei Po The Standard	40 18 B10 B-11
6.	Announcement of resolutions of the annual general meeting 2003	2004.5.13	Shanghai Securities Journal China Securities Journal Hong Kong Wen Wei Po The Standard	21 20 B11 B-21

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No.	Item	Date of Publication	Media	Page
7.	Announcement of resolutions of the 1st meeting of the 3rd Board of Directors	2004.6.4	Shanghai Securities Journal	21
	Announcement of resolutions of the 1st meeting of the 3rd Supervisory Committee		China Securities Journal	3
			Hong Kong Wen Wei Po	A12
			The Standard	B-13
8.	Announcement of resolutions of the first extraordinary general meeting 2004	2004.6.30	Shanghai Securities Journal	28
			China Securities Journal	30
			Hong Kong Wen Wei Po	A26
			The Standard	A-39
9.	Indicative announcement on the substantial increase of results for the first six months of 2004	2004.7.7	Shanghai Securities Journal	C4
			China Securities Journal	24
			Hong Kong Wen Wei Po	A26
			The Standard	A-39

The above announcements can be accessed by inputting the Company's stock code under "Listed Company Information Search" on the website of Shanghai Stock Exchange <http://www.sse.com.cn>.