

Financial Statements

For the six months ended 30 June 2004

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2004

(With comparatives for the six months ended 30 June 2003)

(Amounts in thousands of Renminbi ("RMB"))

	For the six months ended 30 June	
	2004 (unaudited) RMB'000	2003 (unaudited) 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)
Share of profit of an associate	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 for the period	794,264	223,726
Dividends (Note 5)	125,568	59,174
Earnings per share (Note 6)		
— Basic	RMB0.63	RMB0.19
— Diluted	Not applicable	Not applicable

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For the six months ended 30 June 2004

CONDENSED CONSOLIDATED BALANCE SHEET

As of 30 June 2004

(With comparatives as of 31 December 2003)

(Amounts in thousands of Renminbi ("RMB"))

	As of 30 June 2004 (unaudited) RMB'000	As of 31 December 2003 (audited) RMB'000
ASSETS AND LIABILITIES		
Non-current assets		
Leasehold land	420,525	427,087
Property, plant and equipment	10,745,137	9,364,018
Intangible assets	147,635	94,065
Investment in an associate	59,548	50,805
Other long-term investments	1,010	10
Long-term receivables	15,000	15,000
	11,388,855	9,950,985
Current assets		
Inventories	826,348	457,167
Prepayments and other receivables	396,006	159,890
Due from Holdings	1,722	2,276
Due from related parties (Note 12)	37,450	44,213
Trade receivables (Note 9)	182,307	283,446
Trading investments	1,812	1,812
Cash on hand and bank deposits	1,735,200	2,246,792
	3,180,845	3,195,596
Current liabilities		
Current portion of long-term borrowings	318,110	296,110
Current portion of long-term payables	9,683	10,407
Other payables and accruals	1,021,425	1,292,184
Provision for taxes	411,256	527,045
Due to related parties (Note 12)	18,351	997
Trade payables (Note 10)	563,955	597,292
Short-term borrowings	2,495,579	2,230,611
	4,838,359	4,954,646
Net current liabilities	1,307,514	1,759,050
Total assets less current liabilities	9,731,341	8,191,935

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CONDENSED CONSOLIDATED BALANCE SHEET

As of 30 June 2004

(With comparatives as of 31 December 2003)

(Amounts in thousands of Renminbi ("RMB"))

	As of 30 June 2004 (unaudited) RMB'000	As of 31 December 2003 (audited) RMB'000
Non-current liabilities		
Long-term borrowings, non-current portion	3,325,629	2,598,462
Long-term payables	65,929	76,425
	3,391,558	2,674,887
Minority interests	1,258,040	1,104,033
NET ASSETS	5,081,743	4,413,015
Capital and reserves		
Share capital (Note 7)	1,255,680	1,255,680
Reserves (Note 8)	3,826,063	3,157,335
EQUITY	5,081,743	4,413,015

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2004

(With comparatives for the six months ended 30 June 2003)

(Amounts in thousands of Renminbi (“RMB”))

	For the six months ended 30 June	
	2004 (unaudited) RMB'000	2003 (unaudited) RMB'000
Net cash inflow from operating activities	736,798	794,611
Net cash outflow from investing activities	(1,723,131)	(1,410,798)
Net cash inflow from financing activities (Note 11)	474,741	520,027
Decrease in cash and cash equivalents	(511,592)	(96,160)
Cash and cash equivalents, beginning of period	2,246,792	799,447
Cash and cash equivalents, end of period	1,735,200	703,287

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004

(With comparatives for the six months ended 30 June 2003)

(Amounts in thousands of Renminbi ("RMB"))

	From 1 January 2004 to 30 June 2004 (unaudited)						Total shareholders' equity RMB'000
	Ordinary shares RMB'000 (Note 7)	Share premium RMB'000 (Note 8)	Capital reserve RMB'000 (Note 8)	Statutory surplus reserve RMB'000 (Note 8)	Statutory public welfare reserve RMB'000 (Note 8)	Retained earnings RMB'000 (Note 8)	
Balance as of 1 January 2004	1,255,680	1,745,430	31,373	315,336	304,660	760,536	4,413,015
Exemption of debt	—	—	32	—	—	—	32
Net profit for the period	—	—	—	—	—	794,264	794,264
Profit appropriations							
— Dividends declared after 31 December 2003 (Note 5)	—	—	—	—	—	(125,568)	(125,568)
End of period	1,255,680	1,745,430	31,405	315,336	304,660	1,429,232	5,081,743

	From 1 January 2003 to 30 June 2003 (unaudited)						Total shareholders' equity RMB'000
	Ordinary shares RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare reserve RMB'000	Retained earnings RMB'000	
Beginning of period	1,183,480	1,200,012	28,630	177,006	175,100	344,196	3,108,424
Addition from a subsidiary's donation received	—	—	2,310	—	—	—	2,310
Net profit for the period	—	—	—	—	—	223,726	223,726
Profit appropriations							
— Dividends declared after 31 December 2002	—	—	—	—	—	(59,174)	(59,174)
— Statutory surplus reserve of a subsidiary	—	—	—	159	—	(159)	—
— Statutory public welfare reserve of a subsidiary	—	—	—	—	159	(159)	—
Transform a wholly-owned subsidiary to a branch	—	—	—	(25,512)	(25,512)	51,024	—
End of period	1,183,480	1,200,012	30,940	151,653	149,747	559,454	3,275,286

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For the six months ended 30 June 2004

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of 30 June 2004

(With comparatives for the six months ended 30 June 2003 and as of 31 December 2003)

(Amounts expressed in thousands of Renminbi (“RMB”) unless otherwise stated)

1. Accounting Policies and Basis of Preparation

The accompanying condensed interim consolidated financial statements of Anhui Conch Cement Company Limited (the “Company”) and its subsidiaries (hereinafter together with the Company referred to as the “Group”) are prepared in accordance with International Financial Reporting Standards (“IFRS”) 34 “Interim Financial Reporting” promulgated by the International Accounting 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 Note 13.

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 consolidated financial statements include the accounts of the Company and its subsidiaries.

All significant intercompany balances and transactions, including intercompany 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.

Financial Statements

For the six months ended 30 June 2004

2. Principles and Basis of Consolidation (Continued)

Details of the Group's subsidiaries as of 30 June 2004 were as follows:

Name of subsidiaries	Country of incorporation and date of incorporation	Company's equity interest	Registered capital	Principal activities
Ningguo Cement Plant 安徽省寧國水泥廠	PRC 21 January 1985	100% (directly held)	RMB649,347,000	Manufacture and sale of clinker and cement products
Ningbo Conch Cement Co., Ltd. 寧波海螺水泥有限公司	PRC 3 April 1993	75% (directly held)	RMB171,000,000	Manufacture and sale of clinker and cement products
Anhui Hailuo Cement Product Co., Ltd. ("Hailuo Cement") 安徽海螺水泥有限責任公司	PRC 23 June 1994	75% (directly held)	US\$29,980,000	Manufacture and sale of clinker and cement products
Shanghai Conch Mingzhu Cement Co., Ltd. ("Mingzhu Cement") 上海海螺明珠水泥有限責任公司	PRC 3 April 1995	76.20% (directly held)	RMB13,710,000	Manufacture and sale of clinker and cement products
Anhui Tongling Conch Cement Co., Ltd. 安徽銅陵海螺水泥有限公司	PRC 22 September 1995	68.14% (directly held)	RMB565,000,000	Manufacture and sale of clinker and cement products
Anhui Conch Machinery & Electric Co., Ltd. 安徽海螺機電設備有限公司	PRC 5 January 1998	100% (indirectly held)	RMB10,000,000	Provision of installation and repairing services
Ningbo Conch Free-trade Zone Trading Co., Ltd. 寧波保稅區海螺貿易公司	PRC 9 July 1998	100% (indirectly held)	RMB1,000,000	Trading and sale of clinker and cement products
Anhui Changfeng Conch Cement Co., Ltd. 安徽長豐海螺水泥有限公司	PRC 4 September 1998	80% (directly held)	RMB10,000,000	Manufacture and sale of clinker and cement products
Zhangjiagang Conch Cement Co., Ltd. 張家港海螺水泥有限公司	PRC 30 September 1998	98.71% (directly held)	RMB35,000,000	Manufacture and sale of clinker and cement products
Shanghai Conch Cement Co., Ltd. 上海海螺水泥有限公司	PRC 13 November 1998	75% (directly held)	RMB60,000,000	Manufacture and sale of clinker and cement products
Nanjing Conch Cement Co., Ltd. 南京海螺水泥有限公司	PRC 20 November 1998	99.75% (directly held) 0.25% (indirectly held)	RMB15,000,000	Manufacture and sale of clinker and cement products
Nantong Conch Cement Co., Ltd. 南通海螺水泥有限公司	PRC 22 June 1999	99% (directly held)	RMB15,000,000	Manufacture and sale of clinker and cement products

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For the six months ended 30 June 2004

2. Principles and Basis of Consolidation (Continued)

Name of subsidiaries	Country of incorporation and date of incorporation	Company's equity interest	Registered capital	Principal activities
Shanghai Conch Cement Sales Co., Ltd. 上海海螺水泥销售有限公司	PRC 2 November 1999	90% (directly held) 10% (indirectly held)	RMB5,000,000	Sale of clinker and cement products
Anhui Digang Conch Cement Co., Ltd. 安徽荻港海螺水泥股份有限公司	PRC 28 April 2000	51% (directly held)	RMB150,000,000	Manufacture and sale of clinker and cement products
Jiayang Conch Cement Co., Ltd. 福建省建陽海螺水泥有限責任公司	PRC 9 June 2000	76% (directly held)	RMB14,000,000	Manufacture and sale of clinker, cement products, novel building materials and chemical building materials
Anhui Zongyang Conch Cement Co., Ltd. 安徽樅陽海螺水泥股份有限公司	PRC 19 June 2000	51% (directly held)	RMB300,000,000	Manufacture and sale of clinker and cement products and related technical services
Anhui Chizhou Conch Cement Co., Ltd. 安徽池州海螺水泥股份有限公司	PRC 2 November 2000	51% (directly held)	RMB318,000,000	Manufacture and sale of clinker, cement products and ancillary products
Taizhou Conch Cement Co., Ltd. 泰州海螺水泥有限責任公司	PRC 6 November 2000	93.75% (directly held)	RMB11,520,000	Manufacture and sale of clinker, cement products, novel building materials and chemical building materials
Bangbu Conch Cement Co., Ltd. 蚌埠海螺水泥有限責任公司	PRC 9 February 2001	96.7% (directly held) 3.3% (indirectly held)	RMB6,000,000	Manufacture and sale of clinker and cement products
Wenzhou Conch Cement Co., Ltd. 溫州海螺水泥有限公司	PRC 16 March 2001	95% (directly held) 5% (indirectly held)	RMB50,000,000	Manufacture and sale of clinker and cement products
Fenyi Conch Cement Co., Ltd. 分宜海螺水泥有限責任公司	PRC 20 August 2001	51% (directly held)	RMB50,000,000	Manufacture and sale of clinker and cement products
Shangyu Conch Cement Co., Ltd. 上虞海螺水泥有限責任公司	PRC 14 November 2001	90% (directly held) 10% (indirectly held)	RMB16,000,000	Manufacture and sale of cement, novel building materials and decoration materials

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For the six months ended 30 June 2004

2. Principles and Basis of Consolidation (Continued)

Name of subsidiaries	Country of incorporation and date of incorporation	Company's equity interest	Registered capital	Principal activities
Jiande Conch Cement Co., Ltd. 建德海螺水泥有限責任公司	PRC 28 November 2001	90% (directly held) 10% (indirectly held)	RMB50,000,000	Manufacture and sale of clinker, cement products and related building materials
Nanchang Conch Cement Co., Ltd. 南昌海螺水泥有限責任公司	PRC 18 January 2003	90% (directly held) 10% (indirectly held)	RMB20,000,000	Manufacture and sale of clinker and cement products
Jiangxi Lushan Conch Cement Co., Ltd. 江西廬山海螺水泥有限公司	PRC 1 February 2003	98.7% (directly held) 1.3% (indirectly held)	RMB31,420,000	Manufacture and sale of clinker and cement products
Taizhou Yangwan Conch Cement Co., Ltd. 泰州楊灣海螺水泥有限責任公司	PRC 20 June 2003	95% (directly held) 5% (indirectly held)	RMB50,000,000	Manufacture and sale of clinker and cement products
Anhui Huaining Conch Cement Co., Ltd. 安徽懷寧海螺水泥有限責任公司	PRC 24 October 2003	96% (directly held) 4% (indirectly held)	RMB50,000,000	Manufacture and sale of clinker and cement products
China Cement Plant Co., Ltd. 中國水泥廠有限公司	PRC 9 October 2003	90% (directly held) 10% (indirectly held)	RMB100,000,000	Manufacture and sale of clinker and cement products
Fuyang Conch Cement Co., Ltd. 阜陽海螺水泥有限責任公司	PRC 8 January 2003	90% (directly held) 10% (indirectly held)	RMB20,000,000	Manufacture and sale of clinker and cement products
Huai'an Conch Cement Co., Ltd. 淮安海螺水泥有限責任公司	PRC 15 January 2003	90% (directly held) 10% (indirectly held)	RMB20,000,000	Manufacture and sale of clinker and cement products
Taicang Conch Cement Co., Ltd. 太倉海螺水泥有限責任公司	PRC 8 July 2003	90% (directly held) 10% (indirectly held)	RMB20,000,000	Manufacture and sale of clinker and cement products
Taizhou Conch Cement Co., Ltd. 台州海螺水泥有限責任公司	PRC 6 August 2003	90% (directly held) 10% (indirectly held)	RMB20,000,000	Manufacture (pulverization), storage, sale and after service of clinker and cement products; manufacture and sale of PVC material

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For the six months ended 30 June 2004

2. Principles and Basis of Consolidation (Continued)

Name of subsidiaries	Country of incorporation and date of incorporation	Company's equity interest	Registered capital	Principal activities
Haimen Conch Cement Co., Ltd. 海門海螺水泥有限責任公司	PRC 11 December 2003	90% (directly held) 10% (indirectly held)	RMB50,000,000	Manufacture, storage, sale and after service of clinker and cement products; manufacture and sale of PVC material
Jiangmen Conch Cement Co., Ltd. 江門海螺水泥有限責任公司	PRC 17 December 2003	90% (directly held) 10% (indirectly held)	RMB50,000,000	Manufacture (pulverization, excluding clinker production), and sale of cement products, PVC material, novel building materials and decoration material; cement storage
Wujiang Conch Cement Co., Ltd. 吳江海螺水泥有限責任公司	PRC 8 January 2004	90% (directly held) 10% (indirectly held)	RMB50,000,000	Construction of pulverization project; sale of clinker and cement products
Ma'anshan Conch Cement Co., Ltd. 馬鞍山海螺水泥有限責任公司	PRC 7 April 2004	90% (directly held) 10% (indirectly held)	RMB50,000,000	Manufacture, storage, sale and after service of clinker and cement products; manufacture and sale of PVC material, construction material and decoration material
Jiangsu Baling Conch Cement Co., Ltd. 江蘇八菱海螺水泥有限公司	PRC 15 April 2004	75% (directly held)	RMB32,960,000	Manufacture and sale of clinker and cement products; technology development, transfer and consultancy relating to construction plastics materials and products
Shuangfeng Conch Cement Co., Ltd. 雙峰海螺水泥有限公司	PRC 16 April 2004	51% (directly held)	RMB268,000,000	Manufacture, sale of clinker and cement products; mining (materials for cement production)
Anhui Xuancheng Conch Cement Co., Ltd. 安徽宣城海螺水泥有限公司	PRC 22 April 2004	90% (directly held) 10% (indirectly held)	RMB100,000,000	Manufacture, storage, sale of clinker and cement products; provision of after sales services; acquisition of wood

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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 (unaudited) RMB'000	2003 (unaudited) 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	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
Salaries and wages	92,730	66,297
Staff welfare benefits	26,040	20,558
Cost of inventories recognised as expenses	1,199,100	815,775
Packaging materials	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 Conch 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.

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4. Income Tax Expense (Continued)

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

	For the six months ended 30 June	
	2004 (unaudited) RMB'000	2003 (unaudited) 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 Kong profits tax.

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

5. Dividends

During this interim reporting period, the shareholders' meeting approved the dividend appropriation for 2003 of approximately RMB125,568,000 (RMB0.1 per share) (corresponding period of 2003: RMB59,174,000 (RMB0.05 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 RMB794,264,000 for the six months ended 30 June 2004 (corresponding period of 2003: approximately RMB223,726,000) divided by the weighted average number of 1,255,680,000 ordinary shares (corresponding period of 2003: 1,183,480,000 ordinary shares) in issue during the period.

The diluted earnings per share was not calculated, because no potential shares existed.

7. Share Capital

The details of share capital as of 30 June 2004 are as follows:

	Number of shares ('000)		Amount (RMB'000)	
	As of 30 June 2004 (unaudited)	As of 31 December 2003 (audited)	As of 30 June 2004 (unaudited)	As of 31 December 2003 (audited)
Registered, issued and fully paid				
— State-owned legal person shares with a par value of RMB1.00 each	622,480	622,480	622,480	622,480
— A shares with a par value of RMB1.00 each	200,000	200,000	200,000	200,000
— Overseas public shares with a par value of RMB1.00 each ("H shares")	433,200	433,200	433,200	433,200
	1,255,680	1,255,680	1,255,680	1,255,680

State-owned legal person shares, A shares and H shares rank pari passu in all respects, except that state-owned legal person shares and A shares are owned by PRC nationals and legal persons, while H shares are owned and traded by overseas investors; and dividends on state-owned legal person shares and A shares are payable in RMB, while dividends on H shares are payable in Hong Kong dollars.

8. Reserves

(a) Share premium

The share premium represented net assets acquired from Holdings in excess of par value of state-owned shares issued and proceeds from the issuance of A shares and H shares in excess of their par value, net of expenses relating to the listing of the shares such as underwriting commissions, organisation expenses, fees for professional advisors and promotional expenses.

(b) Capital reserve

	As of 30 June 2004 (unaudited) RMB'000	As of 31 December 2003 (audited) RMB'000
Surplus arising from related party transaction	25,289	25,289
Proportion of capital reserve addition of subsidiaries	6,116	6,084
	31,405	31,373

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8. Reserves (Continued)

(c) Statutory Surplus Reserve

In accordance with the Company Law and the Company's articles of association, the Company and its subsidiaries shall appropriate 10 per cent of their annual statutory net profit (after offsetting any prior years' losses) to the statutory surplus reserve account respectively. When the balance of such reserve fund reaches 50 per cent of each entity's share capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital after properly approved. However, except for offset prior years' losses, such statutory surplus reserve must be maintained at a minimum of 25 per cent of share capital after such usage.

(d) Statutory Public Welfare Reserve

In accordance with the Company Law and the Company's articles of association, the Company and its subsidiaries are also required to appropriate 5 per cent to 10 per cent of their annual statutory net profit (after offsetting any prior years' losses) to a statutory public welfare fund to be utilized for employees' common welfare.

(e) Retained earnings

Retained earnings is to be carried forward for future distribution.

The distribution of dividends is made in accordance with the Company's articles of association and the recommendation of the Board of Directors and is subject to approval by shareholders in general meetings. Pursuant to the Notice [1995] 31 issued by Ministry of Finance on 24 August 1995, the amount of profit available for distribution to the shareholders will be determined based on the lower of unappropriated profit in the financial statements determined in accordance with (i) PRC accounting standards and regulations, and (ii) IFRS.

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9. Trade Receivables

	As of 30 June 2004 (unaudited) RMB'000	As of 31 December 2003 (audited) RMB'000
Accounts receivable	42,730	53,321
Bank acceptance notes receivable	161,393	252,086
Less: Provision for bad and doubtful debts	(21,816)	(21,961)
	182,307	283,446

Trade receivables generated from credit sales with general credit terms of one to two months.

Ageing analysis of accounts receivable was as follows:

	As of 30 June 2004 (unaudited) RMB'000	As of 31 December 2003 (audited) RMB'000
Ageing		
— not exceeding one year	18,860	29,114
— more than one year but not exceeding two years	1,731	2,549
— more than two years but not exceeding three years	3,548	6,461
— more than three years	18,591	15,197
	42,730	53,321

10. Trade Payables

The Group's trade payables were all with ageing less than one year.

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11. Supplementary Information to Condensed Consolidated Cash Flow Statement

Analysis of changes in financing activities during the six months ended 30 June 2004:

	For the six months ended 30 June				2003 Total (unaudited) RMB'000
	Share capital and reserves (unaudited) RMB'000	2004 Bank borrowings* (unaudited) RMB'000	Minority interests (unaudited) RMB'000	Total (unaudited) RMB'000	
Beginning of period	4,413,015	5,125,183	1,104,033	10,642,231	7,539,294
Financing activities involving cash flows:					
Net cash inflow from financing of bank borrowings	—	855,135	—	855,135	618,994
Addition of share premium from a subsidiary's donation received	—	—	—	—	2,310
Additions of minority interest from a subsidiary's donation received	—	—	—	—	772
Payment of dividends	(125,568)	—	—	(125,568)	(59,174)
Payment of dividends to minority interests	—	—	(254,826)	(254,826)	(42,875)
	(125,568)	855,135	(254,826)	474,741	520,027
Non-financing or non-cash activities:					
Profit for the period	794,264	—	—	794,264	223,726
Profit attributable to minority interests	—	—	323,759	323,759	93,025
Addition of share premium from a subsidiary's debt exemption	32	—	—	32	—
Increase of bank loan from purchase of subsidiaries	—	159,000	—	159,000	—
Increase of minority interests from purchase of subsidiaries	—	—	85,074	85,074	—
	794,296	159,000	408,833	1,362,129	316,751
End of period	5,081,743	6,139,318	1,258,040	12,479,101	8,376,072

* As of 30 June 2004, borrowings of the Group bore annual interest at rates ranging from 1.80 per cent to 5.58 per cent. Approximately RMB4,245,668,000 of the borrowings were guaranteed by Holdings. Approximately RMB110,000,000 of the borrowings were guaranteed by the Group's machinery and equipment with an aggregate net book value of approximately RMB94,900,000. The remaining borrowings of approximately RMB1,783,650,000 were drawn down under credit.

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12. Related Party Transactions

- (a) Apart from the transactions disclosed in Note 11, details of transactions between the Group and Holdings were as follows:

	For the six months ended 30 June	
	2004 (unaudited) RMB'000	2003 (unaudited) RMB'000
Trademark licence fees paid to Holdings	757	757
Composite services fees paid to Holdings	1,093	1,252

- (b) Details of transactions between the Group and related parties (all subsidiaries of Holdings) were as follows:

	For the six months ended 30 June	
	2004 (unaudited) RMB'000	2003 (unaudited) RMB'000
Purchase of goods	72,076	64,343
Import and export commission	1,804	—
Purchase of construction services	7,418	1,168
Sales of cement products	41,010	1,068
Purchase of transportation services	136,706	—

- (c) Due from/to related parties

<u>Name of related party</u>	<u>Nature of relationship</u>
Anhui Hailuo Construction and Installation Co., Ltd. ("Hailuo Construction and Installation")	Subsidiary of Holdings
Anhui Ningchang Packaging Material Bags Co., Ltd. ("Ningchang Packaging")	Subsidiary of Holdings
Wuhu Hailuo Material Technique Co., Ltd. ("Hailuo Material")	Subsidiary of Holdings
Shanghai Hailuo Construction Materials Trading Co., Ltd. ("Shanghai Trading")	Subsidiary of Holdings
Shanghai Hailuo Logistics Co., Ltd. ("Hailuo Logistics")	Subsidiary of Holdings

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12. Related Party Transactions

(c) Due from/to related parties (Continued)

	As of 30 June 2004 (unaudited) RMB'000	As of 31 December 2003 (audited) RMB'000
Due from related parties		
Shanghai Trading	32,285	34,552
Ningchang Packaging	—	3,164
Hailuo Construction and Installation	2,261	2,593
Hailuo Construction Material	591	1,765
Other related parties	2,313	2,139
	37,450	44,213
Due to related parties		
Hailuo Logistics	14,308	—
Ningchang Packaging	3,777	—
Other related parties	266	997
	18,351	997

13. Impact of IFRS Adjustment on Net Profit and Net Assets

	Net profit for the six months ended 30 June		Net assets as of, 30 June 31 December	
	2004 (unaudited) RMB'000	2003 (unaudited) RMB'000	2004 (unaudited) RMB'000	2003 (audited) RMB'000
As reported in the Group's statutory accounts	791,924	221,808	5,250,114	4,583,724
Impact of adjustment:				
— reversal of revaluation surplus of leasehold land	1,919	1,918	(165,659)	(167,577)
— amortisation of negative goodwill	421	—	(2,712)	(3,132)
As restated in the Group's IFRS financial statements	794,264	223,726	5,081,743	4,413,015

14. Commitments

(a) Capital commitments

Capital commitments relating to purchases of machinery and equipment for production purposes as of 30 June 2004 were as follows:

	As of 30 June 2004 (unaudited) RMB'000
Contracted but not provided for	601,114
Authorised but not contracted for	653,819
	1,254,933

(b) License agreement

As of 30 June 2004, the Company is committed to pay trademark license fee to Holdings at RMB1,513,000 per annum. The license agreement does not indicate the expiration date.

15. Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.