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 cement products.

In September 1997, as approved by Anhui Province Government Circular Wan Zhen Mi [1997]128 and Former State Economic Structure Reform Committee Circular [1997]140, the Company acquired the operating assets of Ningguo Cement Plant and Baimashan Cement Plant, and the related cement manufacturing business of Anhui Conch Holdings Company Limited (" Conch Holdings") by issuance of 622,480,000 State-owned shares ("State-owned shares") of the Company to Conch Holdings with a par value of RMB1.00 each. In addition, as approved by State Security Regulatory Committee Circular Zhen Wei Fa [1997]57, the Company subsequently issued 361,000,000 overseas public shares ("H shares") on 17 October 1997, which were listed on the main board of Stock Exchange of Hong Kong Limited on 21 October 1997. On 24 January 2002, the Company issued 200,000,000 domestic public shares ("A shares"), which were listed on Shanghai Stock Exchange on 7 February 2002. In November 2003, as approved by State Security Regulatory Committee and the Stock Exchange of Hong Kong Limited respectively, the Company issued 72,200,000 H shares.

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

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements as at and for the six months ended 30 June 2005 are consistent with those adopted for the preparation of the financial statements as at and for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised International Financial Reporting Standards ("IFRS") which are effective for accounting periods commencing on or after 1 January 2005.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 3 below.

3. CHANGES IN ACCOUNTING POLICIES

(a) Effect of adopting new/revised IFRS

In 2005, the Group adopted the IFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings per Share
IAS 36	Impairment of Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRS 3	Business Combinations
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations

The adoption of IAS 1, 2, 8, 10, 16, 17, 21, 24, 27, 28, 32, 33, 38, 39 and IFRS 5 did not result in substantial changes to the Group's accounting policies. In summary:

— IAS 1 has affected the presentation of minority interest and other disclosures.

— IAS 2, 8, 10, 16, 17, 21, 27, 28, 32, 33, 38, 39 and IFRS 5 had no material effect on the Group's policies.

— IAS 24 has affected the identification of related parties and some other related-party disclosures.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Effect of adopting new/revised IFRS (Continued)

The adoption of IFRS 3 and IAS 36 resulted in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

— Goodwill arising from a business combination for which the agreement date was before 31 March 2004 is presented as cost less accumulated amortisation and accumulated impairment losses. Amortisation is made using the straight-line method over its estimated useful life of five to fifteen years. And assessed for an indication of impairment at each balance sheet date;

— Goodwill arising from a business combination for which the agreement date is on or after 31 March 2004 is tested annually for impairment and carried at cost less accumulated impairment losses.

In accordance with the provisions of IFRS 3:

— The Group ceased amortisation of goodwill from 1 January 2005;

— Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;

— From the year ended 31 December 2004 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment.

In accordance with the provisions of IAS 36:

— Assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount my not be recoverable.

— An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Effect of adopting new/revised IFRS (Continued)

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than IFRS 3 (prospectively after 31 March 2004).

The adoption of IFRS 3 resulted in:

	As at 30 June 2005
Increase in intangible assets	**1,780**
Increase in retained earnings	**1,780**

	For the six months ended 30 June 2005
Decrease in amortisation	**1,780**

There was no impact on opening retained earnings at 1 January 2004 from the adoption of IFRS 3.

(b) New/revised accounting policies

The accounting policies used for the condensed consolidated interim financial statement for the six months ended 30 June 2005 are the same as those set out in the 2004 annual accounts except for the following:

(1) *Acquisition of subsidiaries and associates*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) New/revised accounting policies (Continued)

(1) *Acquisition of subsidiaries and associates (Continued)*

An investment in an associate is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment, the measurement and recognition of goodwill is same as that of goodwill arising from the acquisition of subsidiaries. Goodwill relating to an associate is included in the carrying amount of the investment. Appropriate adjustments to the investor's share of the profits or losses after acquisition are made to account based on their fair values at the date of acquisition.

(2) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(3) *Acquisition of minority interests in acquired subsidiaries*

Assets and liabilities of the subsidiaries in which the Group subsequently increases its ownership interests are stated at carrying amount. The excess of the cost of acquisition over the carrying amount of net assets acquired by the Group is recorded as goodwill. If the cost of acquisition is less than the carrying amount of net assets acquired by the Group, the difference is recognized directly in the income statement.

(4) *Property, plant and equipment*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) New/revised accounting policies (Continued)

(5) *Investments*

From 1 January 2004 to 31 December 2004:

The Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as trading investments, held-to-maturity investment and available-for-sale.

From 1 January 2005 onwards:

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sales financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. During the period, the Group did not hold any investment in this category.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) New/revised accounting policies (Continued)

(5) *Investments (Continued)*

(c) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the period, the Group did not hold any investments in this category.

(d) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

(6) *Foreign currency translation*

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss accounts.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(7) *Comparatives*

The Group previously disclosed share premium as other reserves. Management believes that their inclusion in share capital is a fairer representation of the Group's activities.

4. SALES AND SEGMENT INFORMATION

(a) Sales

	For the six months ended	
	30 June 2005	30 June 2004
Sales of cement and clinker product, less discounts and returns	**4,513,416**	3,788,917

(b) Segment information

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

No geographical segment information is presented as over 90% of the Group's turnover and operating profit are earned within the PRC and all operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

5. CAPITAL EXPENDITURE

	Property, plant and equipment	**Leasehold land**
Opening net book amount as at 1 January 2005	11,439,300	420,389
Additions from business combination *(Note 16(c))*	831,018	113,366
Additions	1,550,612	8,612
Reclassification	15,515	(15,515)
Disposals	(2,532)	—
Depreciation/Amortisation charge	(355,742)	(6,590)
Closing net book amount as at 30 June 2005	13,478,171	520,262
Opening net book amount as at 1 January 2004	9,364,018	427,087
Additions from business combination	198,390	—
Additions	2,432,972	9,508
Disposals	(21,475)	(4,660)
Depreciation/Amortisation charge	(534,605)	(11,546)
Closing net book amount as at 31 December 2004	11,439,300	420,389

6. TRADE RECEIVABLES

	As at 30 June 2005	As at 31 December 2004
Accounts receivables	**86,879**	48,795
Notes receivables	**128,506**	217,838
Less: Provision for bad and doubtful debts	**(22,908)**	(22,908)
	192,477	243,725

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

Ageing analysis of accounts receivable was as follows:

	As at 30 June 2005	As at 31 December 2004
Ageing		
— not exceeding one year	**66,125**	19,484
— more than one year but not exceeding two years	**729**	7,207
— more than two years but not exceeding three years	**2,636**	1,750
— more than three years	**17,389**	20,354
	86,879	48,795

As at 30 June 2005 and 31 December 2004, the carrying amounts of the trade receivables approximated their fair value.

7. SHARE CAPITAL

The details of registered, issued and fully paid share capital are as follows:

	Number of shares ('000)	Ordinary shares	Share premium	Total
At 1 January and 30 June 2005	1,255,680	1,255,680	1,745,430	3,001,110
At 1 January and 31 December 2004	1,255,680	1,255,680	1,745,430	3,001,110

The details of ordinary share capital are as follows:

	30 June 2005		31 December 2004	
	Number of shares ('000)	**Amount**	Number of shares ('000)	Amount
Registered, issued and fully paid:				
State-owned shares with a par value of RMB1.00 each	**622,480**	**622,480**	622,480	622,480
H shares with a par value of RMB1.00 each	**433,200**	**433,200**	433,200	433,200
A shares with a par value of RMB1.00 each	**200,000**	**200,000**	200,000	200,000
	1,255,680	**1,255,680**	1,255,680	1,255,680

State-owned shares, A shares and H shares rank pari passu in all respects, except that State-owned 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 shares and A shares are payable in RMB, while dividends on H shares are payable in Hong Kong dollars.

8. RESERVES

(a) Capital reserve

	As at 30 June 2005	As at 31 December 2004
Surplus arising from related party transaction	**25,289**	25,289
Others	**6,736**	6,380
	32,025	31,669

(b) Statutory Surplus Reserve

In accordance with the Company Law and each entity's articles of association, the Company and its subsidiaries shall appropriate 10% 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% 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% of share capital after such usage.

(c) Statutory Public Welfare Reserve

In accordance with the Company Law and each entity's articles of association, the Company and its subsidiaries are also required to appropriate 5% to 10% 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.

(d) Retained earnings

Retained earnings are 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 inappropriate profit in the financial statements determined in accordance with (i) PRC accounting standards and regulations, and (ii) IFRS.

9. BORROWING

	As at 30 June 2005	As at 31 December 2004
Long-term borrowings		
Bank borrowings		
— Secured	**4,262,632**	3,762,632
— Unsecured	**100,000**	100,000
	4,362,632	3,862,632
Other loans, guaranteed *(i)*	**80,000**	80,000
	4,442,632	3,942,632
Less: Current portion of long-term borrowings	**(923,452)**	(687,102)
	3,519,180	3,255,530
Short-term borrowings		
Bank borrowings		
— Secured	**2,807,000**	2,520,000
— Unsecured	**816,000**	486,000
	3,623,000	3,006,000
Total borrowings	**8,065,632**	6,948,632

(i) As at 30 June 2005 and 31 December 2004, other guaranteed loan represented national debt loan (國債轉貸) provided by Anhui Finance Bureau, and will mature in June 2017.

9. BORROWING (CONTINUED)

The maturity of borrowings is as follows:

	Bank borrowings		Other loans	
	30 June 2005	31 December 2004	**30 June 2005**	31 December 2004
Amount repayable within a period				
— not exceeding one year	**4,546,452**	3,693,102	**—**	—
— more than one year but not exceeding two years	**1,342,000**	1,128,350	**—**	—
— more than two years but not exceeding five years	**2,097,180**	2,047,180	**—**	—
Wholly repayable within 5 years	**7,985,632**	6,868,632	**—**	—
More than five years	**—**	—	**80,000**	80,000
	7,985,632	6,868,632	**80,000**	80,000

The effective interest rates at the balance sheet date were as follows:

	30 June 2005		31 December 2004	
	US$	**RMB**	US$	RMB
Bank borrowings	**2.4%**	**4.78%–5.58%**	2.4%	4.78%–5.58%
Other loans		**2.28%**		2.28%

9. BORROWING (CONTINUED)

As at 30 June 2005, the fair values of above long-term borrowings, non-current portion are approximately RMB3,433 million (31 December 2004: RMB3,004 million). As at June 2005 and 31 December 2004, the carrying amounts of short-term borrowings and current portion of long-term borrowings approximated their fair value.

The carrying amounts of the borrowings are denominated in the following currencies:

	As at 30 June 2005	As at 31 December 2004
US dollar	**116,052**	116,052
RMB	**7,949,580**	6,832,580
	8,065,632	6,948,632

10. TRADE PAYABLES

	As at 30 June 2005	As at 31 December 2004
Accounts payables	**614,810**	597,006
Notes payables	**601,146**	158,885
	1,215,956	755,891

As at 30 June 2005 and 31 December 2004, the Group's trade payables were all with ageing less than one year.

11. EXPENSES BY NATURE

	For the six months ended	
	30 June 2005	30 June 2004
Staff costs (including directors' emoluments)		
— Salaries and wages	**108,185**	92,730
— Staff welfare benefits	**30,164**	26,040
	138,349	118,770
Depreciation of fixed assets *(Note 5)*	**355,742**	234,733
Amortisation of leasehold land *(Note 5)*	**6,590**	4,708
Amortisation of Intangible assets	**2,791**	3,763
Reversal of provision for doubtful receivables	**—**	145
Auditors' remuneration	**1,456**	1,144

12. FINANCE COSTS — NET

	For the six months ended	
	30 June 2005	30 June 2004
Interest expenses on borrowings	**216,395**	141,360
Less: Amounts capitalised in construction-in-progress	**(8,432)**	(13,760)
	207,963	127,600
Interest income	**(6,835)**	(11,867)
Net foreign exchange transaction loss	**642**	77
	201,770	115,810

13. INCOME TAX EXPENSE

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

	For the six months ended	
	30 June 2005	30 June 2004
Income tax expense		
— current	**80,033**	381,025

Hong Kong profits tax has not been provided as there is no estimated assessable profit for the period (2004: nil).

As at 30 June 2005 and 31 December 2004, there was no material unprovided deferred tax.

14. DIVIDENDS

During the six months ended 30 June 2005, the shareholders' meeting approved the dividend appropriation for 2004 of approximately RMB163,238,000 (RMB0.13 per share) (corresponding period of 2004: RMB125,568,000 (RMB0.1 per share)), which has been paid-off as at 30 June 2005.

The directors do not recommend any interim dividend for the six months ended 30 June 2005 (corresponding period of 2004: nil).

15. EARNINGS PER SHARE

The calculation of basic earnings per share was based on the unaudited consolidated net profit of approximately RMB91,414,000 for the six months ended 30 June 2005 (corresponding period of 2004: approximately RMB794,264,000) divided by the weighted average number of 1,255,680,000 ordinary shares (corresponding period of 2004: 1,255,680,000 ordinary shares) in issue during the period.

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

16. SIGNIFICANT CHANGE OF THE COMPOSITION OF THE GROUP

(a) Newly set up of subsidiaries

During the period, the Company and a subsidiary, Anhui Huaining Conch Cement Co., Ltd. ("Huaining Conch"), entered into certain joint venture agreements to set up Xingye Kuiyang Conch Cement Company Limited (the "Kuiyang Conch") and Fusui Xinning Conch Cement Company Limited (the "Xinning Conch"). The registered and fully paid capital of Kuiyang Conch and Xinning Conch are RMB200 million each. The Company and Huaining Conch hold 95% and 5% equity interest in Kuiyang Conch and Xinning Conch respectively. Kuiyang Conch and Xinning Conch are both engaged in manufacture and sales of cement products.

(b) Acquisition of minority interests

In January 2005, the Company and Huaining Conch entered into and completed an equity transfer agreement with the Anhui Provincial Develop and Investment Company Limited (the" Provincial D&I") which is under common control with the Bureau of State-owned Assets. According to the agreement, the Provincial D&I sell the 39% equity interest of the Shuangfen Conch Cement Company Limited ("Shuangfen Conch") to the Company and 10% equity interest of Shuangfen Conch to Huaining Conch at an aggregate consideration of RMB131,320,000.

Net assets of Shuangfen Conch at the transaction date	147,144
Share percentage acquired	49%
Net assets acquired	72,101
Add: Goodwill	59,219
Total payment for acquisition	131,320

16. SIGNIFICANT CHANGE OF THE COMPOSITION OF THE GROUP (CONTINUED)

(c) Business combination

(1) On 28 April 2005, the Company has entered into the equity transfer and capital increase agreement with Conch Holdings. Pursuant to the agreement, Conch Holdings agreed to sell the 95% equity interest of Anhui Conch Construction and Installation Co., Ltd. ("Conch Construction") owned by it at a total consideration of RMB9,500,000. In connection with the agreement, the registered capital of Conch Construction was increased from RMB6,000,000 to RMB10,000,000, which was contributed by the Company and Conch Holdings in the proportion of 95% and 5% respectively.

Details of the assets and liabilities acquired are as follows:

	Fair value	**Acquiree's carrying amount**
Assets/liabilities acquired		
Property, plant and equipment	1,524	1,524
Cash on hand and bank deposits	2,086	2,086
Other current assets	6,473	6,473
Total assets	10,083	10,083
Total current liabilities	(5,285)	(5,285)
Net assets of Conch Construction	4,798	4,798
Share percentage acquired	95%	
Fair value of net assets acquired	4,558	
Goodwill on acquisition	4,942	
Total purchase consideration	9,500	

16. SIGNIFICANT CHANGE OF THE COMPOSITION OF THE GROUP (CONTINUED)

(c) Business combination (Continued)

(2) On 24 May 2005, Kuiyang Conch has entered into the Assets Disposal and Acquisition Agreement (the "Xingye Agreement") with an associated company of the Group, Guangxi Xingye Conch Cement Company Limited (the "Xingye Company"). Pursuant to the Xingye Agreement, Xingye Company agreed to sell all its cement and clinker production related assets and liabilities to Kuiyang Conch at the consideration of RMB225,649,309.

Details of the assets and liabilities acquired are as follows:

	Fair value	Acquiree's carrying amount
Assets/liabilities acquired		
Property, plant and equipment	405,466	417,062
Leasehold land	54,001	54,001
Intangible assets	52,242	54,677
Other current assets		
Trade payables	(118,593)	(118,593)
Other payables, accruals and other current liabilities	(9,156)	(9,156)
Short-term borrowings	(130,000)	(130,000)
Net assets acquired	253,960	267,991
Fair value of net assets acquired	253,960	
Decrease in receivable from Xingye Company	(28,311)	
Total purchase consideration	225,649	

16. SIGNIFICANT CHANGE OF THE COMPOSITION OF THE GROUP (CONTINUED)

(c) Business combination (Continued)

(3) On 24 May 2005, Xinning Conch has entered into the Assets Disposal and Acquisition Agreement (the "Fusui Agreement") with an associated company of the Group, Guangxi Fusui Conch Cement Company Limited (the "Fusui Company"). Pursuant to the Fusui Agreement, Fusui Company agreed to sell all its cement and clinker production related assets and liabilities to Xinning Conch at the consideration of RMB236,989,678.

Details of the assets and liabilities acquired are as follows:

	Fair value	Acquiree's carrying amount
Assets/liabilities acquired		
Property, plant and equipment	424,028	413,717
Leasehold land	59,365	59,365
Intangible assets	73,647	66,473
Other current assets	6,053	6,053
Trade payables	(4,403)	(4,403)
Other payables, accruals and other current liabilities	(176,700)	(176,700)
Short-term borrowings	(130,000)	(130,000)
Net assets acquired	251,990	234,505
Fair value of net assets acquired	251,990	
Decrease in receivable from Fushui Company	(15,000)	
Total purchase consideration	236,990	

17. RELATED PARTY TRANSACTIONS

In addition to the related party information shown in Note 16 and elsewhere in the financial statements, the following is a summary of other significant related party transactions entered into between the Group and its related parties during the period from 1 January 2005 to 30 June 2005 and balances arising from related party transactions:

(a) Details of transactions between the Group and Conch Holdings were as follow:

	For the six months ended	
	30 June 2005	30 June 2004
Trademark licence fees paid to Conch Holdings	**757**	757
Guarantee provided by Conch Holdings	**2,717,000**	4,245,668
Composite services fees paid to Conch Holdings	**1,084**	1,093

(b) Details of transactions between the Group and other related parties were as follows:

	For the six months ended	
	30 June 2005	30 June 2004
Purchase of goods	**136,500**	72,076
Import and export commission	**8,044**	1,804
Purchase of construction services	**—**	7,418
Sales of cement products	**1,120**	41,010
Purchase of transportation services	**106,063**	136,706

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Due from/to related parties

Name of related party	Nature of relationship
Conch Holdings	Substantial shareholder of the company
Conch Construction	Former subsidiary of Conch Holdings
Anhui Ningchang Packaging Material Bags Co., Ltd. ("Ningchang Packaging")	Subsidiary of Conch Holdings
Wuhu Hailuo Material Technique Co., Ltd. ("Hailuo Material")	Subsidiary of Conch Holdings
Shanghai Hailuo Construction Materials Trading Co., Ltd. ("Shanghai Trading")	Subsidiary of Conch Holdings
Shanghai Hailuo Logistics Co., Ltd. ("Hailuo Logistics")	Subsidiary of Conch Holdings
Fusui Company	Associate of the Group
Xingye Company	Associate of the Group

	As at 30 June 2005	As at 31 December 2004
Due from related parties		
Conch Holdings	**1,606**	2,392
Xingye Company	**—**	44,000
Fusui Company	**—**	43,000
Shanghai Trading	**141,876**	17,070
Other related parties	**485**	190
	143,967	106,652
Due to related parties		
Hailuo Logistics	**24,010**	79,182
Ningchang Packaging	**26,518**	29,758
Conch Construction	**—**	7,044
Other related parities	**313**	621
	50,841	116,605

18. CAPITAL COMMITMENTS

Capital commitments relating to purchases of machinery and equipment for production purposes as at 30 June 2005 and 2004 were as follows:

	As at 30 June 2005	As at 30 June 2004
Contracted but not provided for	**733,241**	601,114
Authorised but not contracted for	**840,454**	653,819
	1,573,695	1,254,933

19. SUBSEQUENT EVENTS

The Group has no significant subsequent events.