

INFORMATION REGARDING DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Appointment of directors

At the 2001 Annual General Meeting held on 25th April, 2002, the Company approved the appointment of Ms Xue Tongzu as an independent non-executive director of the second term of the board of directors of the Company.

2. Service contracts, interests in share capital and contracts of directors and supervisors

During the six months ended 30th June, 2002, none of the directors, supervisors, or their respective associates were recorded to have any beneficial interests in the share capital, debt securities or other securities of the Company or any of its associated corporations, nor have they been granted or exercised any rights to subscribe for the share capital or debt securities of the Company or any of its associated corporations which are required to be entered and kept in the register in accordance with Section 29 of the Securities (Disclosure of Interests) Ordinance of the Laws of Hong Kong.

During the reported period, none of the directors or supervisors of the Company had any material interests in any contracts entered into by the Company or its subsidiaries.

3. Code of Best Practice for directors

For the six months ended 30th June, 2002, the Company complied with the Code of Best Practice set out in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

4. Purchase, Sale and Redemption of Listed Shares

For the six months ended 30th June, 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Environment

In the first half of 2002, the macroeconomic conditions of the PRC were in a healthy state, with substantial growth in investment demand and exports. As a result, the country's GDP increased by 7.8%, while its fixed assets investment rose by 24.4%. The enormous growth effectively accelerated the market demand for cement products.

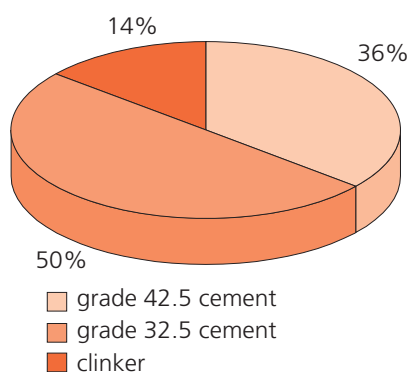
2. Operation Highlights

During the reported period, the Group continued to focus on the development of its core businesses in cement and commodity clinker. By intensifying its "T-type" development strategy of "clinker base-grinding mills", and coordinating the development of production, sales and project construction, the Group succeeded in further expanding its operation scale and market network, with steady growth in its operating results. As at 30th June, 2002, the net revenue of the Group was RMB1,233.48 million, representing a 37.1% increase from that of the corresponding period last year. Cement and clinker accounted for RMB1,095.82 million and RMB137.66 million respectively, representing 89% and 11% of the Group's total net revenue respectively.

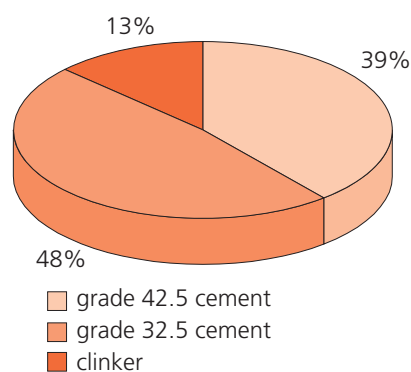
As at 30th June, 2002, sales of cement and clinker of the Group amounted to 5.95 million tonnes (gross sales taking account of intra-group transactions were 8.05 million tonnes), representing an increase of 32.5% from that of the same period of the previous year. Sales of cement and clinker were 5.13 million tonnes and 0.82 million tonnes respectively, representing increases of 32% and 37% respectively from those of the corresponding period last year.

In addition, all grinding mills actively organized their production, which resulted in a high utilization rate of production capacity. The markets continued to expand and sales experienced steady growth. The total cement sales of the grinding mills were 2.87 million tonnes, representing an increase of 46% from that of the corresponding period last year. To effectively satisfy market demand for clinker, the Company purchased 0.29 million tonnes of clinker from third parties during the first half of the year.

Sales by product in the first half of 2002



Sales by product in the first half of 2001



3. Operating Results

Item	Amount (RMB'000)		Difference % (+/-)
	From January 2002 to June 2002	From January 2001 to June 2001	
Revenue, net	1,233,481	899,640	+37.11
Gross profit	428,460	333,957	+28.30
Profit before taxation and minority interests	220,478	134,340	+64.12
Net profit	103,480	93,084	+11.17
Net increase in cash and cash equivalents	399,083	258,196	+54.57

- i) The revenue of the Group increased by 37% from that of the corresponding period of the previous year. This was mainly attributed to the continued enhancement of the market network that centers on the grinding mills, which led to increased market share. The Group's production and sales volume rose substantially, increased by more than 30% of those of the same period of the previous year. Meanwhile, selling prices generally remained stable with a mild increase for certain products. Composite average unit price rose by RMB7.85 per tonne from that of the corresponding period last year, representing an increase of approximately 4%.
- ii) The Group's gross profit was RMB428.46 million, representing a 28.3% increase from that of the corresponding period last year. The composite gross profit margin was 34.7%, reflecting a slight decrease as compared with the same period of the previous year, which was mainly due to upsurges in transportation cost attributable to the core business and price increase in raw coal during the reported period.
- iii) The profit before taxation and minority interests of the Group was RMB220.48 million, representing an increase of 64% from that of the corresponding period of the previous year. This was mainly due to the successful implementation of the clinker base-grinding mills composite development strategy, which allowed production capacity to be fully utilized, substantially increased production and sales volume and lowered unit cost and enhanced its economy of scale.

Moreover, Anhui Tongling Conch Cement Co., Ltd. ("Tongling Conch") and Ningbo Conch Cement Co., Ltd. ("Ningbo Conch") reported profit before tax of RMB21.93 million and RMB9.95 million respectively. Anhui Digang Conch Cement Co., Ltd. ("Digang Conch") and Anhui Zongyang Conch Cement Co., Ltd. ("Zongyang Cement"), of which trial production commenced in 2001, realized profits before tax of RMB44.15 million and RMB43.04 million respectively. As a result, Digang Conch and Zongyang Cement became new profit centers of the Company.

- iv) The Group reported a net profit of RMB103.48 million, representing an increase of 11.17% from that of the same period of the previous year. The increase rate was lower than that of the total profit before taxation and minority interests, which was mainly due to the increase in income tax rate and in minority interests.
- v) The net increase in cash and cash equivalents of the Group was RMB399.08 million, representing an increase of 54.57% from that of the corresponding period of the previous year, mainly attributed to the Company's issue of 200 million A shares during the reported period. While the Company experienced increase in sales volume, it continued to strictly implement the settlement system of cash on delivery. As a result, the Company managed to collect all of its sales proceeds, which rendered sufficient working capital for meeting its operation needs.

4. Financial Position

Item	Amount (RMB'000)		Difference % (+/-)
	End of the reported period	Beginning of the year	
Total assets	7,190,317	5,886,330	+22.15
Shareholders' equity	2,945,242	2,084,446	+41.30

As at 30th June, 2002, the Group's total assets amounted to RMB7,190.32 million, representing an increase of 22.15% when compared to that of the beginning of 2002. The increase was due to the net proceeds raised from the Company's issue of A shares during the reported period and the increase in new project investments during the first half of 2002.

As at 30th June, 2002, the Group's shareholders' equity amounted to RMB2,945.24 million, representing an increase of 41.3% when compared to that of the beginning of 2002. The increase was mainly due to the net proceeds of RMB793.54 million raised from the Company's issue of A shares during the reported period and the capital interest of RMB12.95 million generated from the issue of A share. As a result of the A share offer, the Company's share capital increased by RMB200 million, and capital reserve by RMB606.49 million.

As at 30th June, 2002, the Group's current assets were RMB1,727.04 million. The current ratio, based on the percentage of current assets over current liabilities, was 0.74:1. The Group currently has sufficient liquid assets on hand. As at 30th June, 2002, cash and bank balances amounted to RMB1,000.52 million, which would be sufficient for the Group to meet its normal business requirement and loan repayment. Meanwhile, the Group will continue to pursue its prudent policy in financial management and will implement cash on delivery sales policy in order to strive for 100% collection of its sales proceeds.

As at 30th June, 2002, the Group's total liabilities amounted to RMB3,429.44 million. Based on the percentage of total liabilities over shareholders' equity, the gearing ratio was 1.16:1, which was lower than that of the beginning of the reported period. The Company's A share offer during the first half of 2002 helped to lower its gearing ratio and improve its asset structure.

Maturities of the Group's bank loans as at 30th June, 2002 were analyzed as follows:

	30th June, 2002 (Unaudited) RMB'000	31st December, 2001 (Audited) RMB'000
– due within one year	1,605,658	1,318,746
– due within one to two years	531,301	590,074
– due within two to five years	444,819	474,232
– due after five years	94,108	33,706
Total	2,675,886	2,416,758

Capital commitment for the machineries and equipment acquired for the purpose of production, but not provided for in the accounts as at 30th June, 2002 was RMB1,743.73 million. For details, please refer to Note 14 of the financial statements.

As at 30th June, 2002, the Group's foreign currency loan amounted to approximately US\$29.49 million, of which US\$6.54 million is due within one year. The Group will pay close attention to changes in the foreign exchange market to assess its foreign exchange risks in a prudent manner.

On 30th June, 2002, the Group has endorsed or discounted bank acceptances, which were yet to mature, of approximately RMB126,519,134.

5. Investment of the Group

i) *Investment projects financed by proceeds from the A share offer during the reported period*

On 24th January, 2002, the Company raised net proceeds of RMB793,539,800 (after deducting the expenses incurred in the issue) from the offer of 200 million A shares. The Company applied the net proceeds for the development of its core cement business as stipulated in the prospectus. As at the end of the reported period, the Company applied a total of RMB353,975,000 to investment projects, while the remaining balance of RMB439,564,800 is planned to be invested in the cement-related projects. The details of investment projects are as follows:

- a) RMB56.13 million of the offer proceeds was designated for the expansion project of Digang Conch, which will utilize the mineral reserves of Anhui Baimashan Cement Plant. The project consists of a clinker production line with an annual production capacity of 750,000 tonnes. As at 31st March, 2002, a total of RMB56.13 million was applied to the project. Trial production of the project commenced at the end of 2001.
- b) The Company planned to use RMB58 million out of the offer proceeds for the technological upgrading of Shanghai Conch Cement Co., Ltd.'s cement grinding production line, of which annual production capacity was 500,000 tonnes, replacement of grinding machines and pier reconstruction project. During the reported period, RMB47.53 million was applied to the project. The project progressed smoothly. Technological upgrading of the cement grinding production line and replacement of grinding machines had been completed, and trial production had already started, increasing the Company's annual cement grinding capacity to 1.5 million tonnes. The pier reconstruction project was scheduled to commence in July and complete by the end of the year. Upon completion of the pier reconstruction, the pier's handling and throughput capacities would be significantly enhanced.

- c) RMB80 million was designated for the technological upgrading and expansion of Zhangjiagang Conch Cement Co., Ltd.'s cement grinding production line (including the technological upgrading project of the cement grinding production line with an annual production capacity of 400,000 tonnes, which had been financed by the offer proceeds), of which annual production capacity was 1.5 million tonnes. RMB42,465,000 out of the RMB80 million would be funded by the offer proceeds. As at 30th June, 2002, RMB121.96 million, including RMB42,465,000 from the offer proceeds, was applied to the project. Equipment testing and tuning under the project were completed and the production line commenced trial production at the end of June.
 - d) During the reported period, RMB12.94 million of the offer proceeds was applied to the project for the technological upgrading of the cement grinding production line, with an annual production capacity of 300,000 tonnes, of Taizhou Conch Cement Co., Ltd. Trial production for the project already commenced.
 - e) Phase two of the expansion project of the cement clinker production line, with an annual production capacity of 1.2 million tonnes, of Tongling Conch progressed smoothly. Equipment testing and tuning and trial production of the production line are scheduled to commence during the year. The Company planned to use RMB624 million out of the offer proceeds for the project. During the reported period, a total of RMB194.91 million was applied to the project.
- ii) *Progress of projects which were not financed by proceeds from the A share offer during the reported period*
- a) During the reported period, RMB623.66 million was invested in the phase one construction project of Anhui Chizhou Conch Cement Co., Ltd. ("Chizhou Conch"). The project has been progressing well and is expected to commence trial production during this year.
 - b) The total planned investment for the construction of a clinker production line, with an annual production capacity of 750,000 tonnes, at Jiangxi Fenyi Conch Cement Co., Ltd. is RMB160 million. Preliminary preparation works of the project was completed, and construction of the substructure already commenced.
 - c) The total planned investment for the construction of a clinker production line, with an annual production capacity of 1.5 million tonnes and a cement grinding mill, with an annual production capacity of 1 million tonnes, at Zhejiang Jiande Conch Cement Co., Ltd. ("Jiande Conch") is RMB475 million, in which RMB76.17 million was invested during the reported period. Preparation works for the site formation of the clinker production line was completed and construction of the substructure started. Construction of the grinding mills proceeded according to schedule and progressed smoothly. It was expected that the grinding mill would complete construction and begin trial production during the year.
 - d) The total planned investment for the construction of a clinker production line, with an annual production capacity of 1.5 million tonnes, at Anhui Hailuo Cement Product Co., Ltd. ("Hailuo Plant") is RMB290 million. During the reported period, RMB64.29 million was invested. The preliminary preparation works of the project was completed.
 - e) The total planned investment for the construction of a clinker production line, with an annual production capacity of 1.5 million tonnes, at Zongyang Cement is RMB300 million. During the reported period, RMB161.71 million was invested in the project. The project proceeded according to schedule and would commence trial production by the end of the year.

- f) The total planned investment for the construction of a cement grinding production line, with an annual production capacity of 550,000 tonnes, at Bangbu Conch Cement Co., Ltd. ("Bangbu Conch") is RMB32 million, in which RMB28.43 million was invested during the reported period. The project commenced trial production in March 2002, which helped to increase the cement grinding capacity of Bangbu Conch to 600,000 tonnes per year.
 - g) The total planned investment for the technological upgrading and expansion of the grinding production line, with an annual production capacity of 300,000 tonnes, at Nanjing Conch Cement Co., Ltd. is RMB11.5 million. During the reported period, RMB8.59 million was invested in the project. Equipment installation of the project was completed in June 2002. Trial production is planned to commence in the third quarter of the year, which will then increase the grinding capacity of the company to 600,000 tonnes per year.
 - h) The total planned investment for the expansion of the grinding production line, with an annual production capacity of 300,000 tonnes, at Anhui Changfeng Conch Cement Co., Ltd. is RMB18 million. Preliminary preparation works of the project had been completed, and construction works began in July. Upon completion of the project, the grinding capacity of the company will increase to 600,000 tonnes per year.
 - i) The total planned investment for the construction of two cement grinding production lines, each with an annual production capacity of 750,000 tonnes, at Wenzhou Conch Cement Co., Ltd. is RMB120 million. During the reported period, RMB43.45 million was invested in the project. Trial production of the production lines is expected to commence during the year.
 - j) The total planned investment for the technological upgrading and expansion of the cement grinding production line, with an annual production capacity of 550,000 tonnes, at Shanghai Conch Mingzhu Cement Co., Ltd. is RMB32 million. During the reported period, RMB13.85 million was invested in the project. The project had been progressing smoothly and is expected to commence trial production during the year.
 - k) The total planned investment for the expansion of the cement grinding production line, with an annual production capacity of 550,000 tonnes, at Shangyu Conch Cement Co., Ltd. is RMB35 million. During the reported period, RMB1.78 million was invested in the project. Preliminary preparation works was completed, and construction of the substructure began in July.
- iii) *Establishment of companies*
- a) The Company and its subsidiary, Anhui Ningguo Cement Plant jointly established Nanchang Conch Cement Co., Ltd. ("Nanchang Conch") on 18th January, 2002, with a registered capital of RMB20 million, of which RMB18 million (representing 90%) was contributed by the Company.

Nanchang Conch is situated in Xiangtang Economic and Technology Development Zone of Nanchang City in Jiangxi Province, which is 12 kilometres from Nanchang City. The company plans to establish two cement grinding production lines, each with an annual production of 750,000 tonnes to satisfy the demand for quality cement in Nanchang and its neighbouring cities. Construction works have been scheduled to commence during the year.

- b) The Company and its subsidiary Anhui Baimashan Cement Plant jointly established Jiangxi Lushan Conch Cement Co., Ltd. ("Lushan Conch") on 1st February, 2002, with a registered capital of RMB31.42 million, of which RMB31 million (representing 98.7%) was contributed by the Company. Lushan Conch is situated in Jiujiang City of Jiangxi Province. The region is rich in the supply of mix materials.

Upon its establishment, Lushan Conch acquired the operating assets related to cement production, and intangible assets such as mining rights and trademark of the former Lushan Cement Co., Ltd. ("Lushan Cement") for a consideration of RMB31.42 million. Lushan Cement was established in 1958, with an annual production capacity of 400,000 tonnes. Cement produced under the brand name "Lushan", which is a renowned brand name in Jiangxi Province, has been widely used in the construction of major projects in Jiangxi Province. While the company undertakes technological upgrading of the existing production lines, it also plans to expand and construct two cement grinding production lines, each with an annual production capacity of 550,000 tonnes, in order to further consolidate and increase the Group's market share in Jiangxi Province.

- c) The Company and its subsidiary Tongling Conch jointly established Taizhou Yangwan Conch Cement Co., Ltd. on 20th June, 2002, with a registered capital of RMB50 million, of which RMB47.5 million (representing 95%) was contributed by the Company. The registered address of the company is 2 Taigao Road, Taizhou City. The company is situated in the Economic Development Zone of Bingjiang Industrial Park of Taizhou City.

The company will fully utilize the regional advantages such as a deep harbour and abundant resources of mix materials to construct a large cement grinding, silo base with an annual production capacity of 3 million tonnes, and an exclusive pier with a handling capacity for vessels of not more than 50,000 tonnes.

6. Prospects for the second half of 2002

With the continued implementation of economic and infrastructure projects in the PRC and accelerated structural adjustment to the country's cement industry, the market demand for cement is expected to remain stable. The Group will continue to implement its "T-type" development strategy, as well as resources and technology strategies, in order to strengthen its market position. The Company is optimistic about the market prospects and expects that the Group will achieve a 35% increase in the sales of cement and clinker in 2002 from that of the previous year.

In the second half of 2002, the Group will further strengthen its management at the basic level, streamline the various management departments of the Company, as well as the job responsibilities and work flow of management between the Company and its subsidiaries in order to enhance working efficiency and operating quality.

Meanwhile, the Group will steadily proceed with the construction work of the clinker production lines of Chizhou Conch, Jiande Conch, Zongyang Cement and Hailuo Plant. The Group will also step up the preparation work for the construction of a 8,000 tonnes per day clinker production line at Chizhou Conch, of which construction will commence during the year. Besides, the Company plans to construct two large-scale clinker production lines, each with production capacity of 10,000 tonnes per day at Tongling Conch and at Zongyang Cement, respectively. The Company will actively engage in the application for approval and preliminary preparation works of these projects.

The Company will continue with the construction of grinding mills in Jiangxi, Zhejiang and Jiangsu to ensure rapid growth of cement grinding capacity, which in turn enhances the Group's ability to achieve rapid response to regional market demand and to increase market share and to fine-tune the sales network. Apart from this, the Company also plans to identify suitable targets for acquisition in the market areas along the Yangtze River. By exercising timely and appropriate acquisition, the Group will expand its operation scale.

DISCLOSURE OF SIGNIFICANT EVENTS

1. Corporate governance

The Company has established a standard corporate governance structure for legal persons. The Company has established and improved its management system with check and balance between the shareholders in general meeting, board of directors, supervisory committee and senior management of the Company. It also defines the functions of the said bodies and builds up a corporate governance structure with the shareholders being placed with primary importance. It has maintained an environment for the continuing development of the corporate structure of the Company. During the reported period, a new independent non-executive director was appointed. As a result, the total number of independent non-executive directors increased to three and represented more than one third of the total number of directors of the Company. In accordance with the "Notice of the China Securities Regulatory Commission and the State Economic and Trade Commission regarding listed companies to commence a review on the establishment of modern corporate system", the Company conducted a review on its own for the establishment of a modern corporate system, and submitted the report to the regulatory committee of China Securities Regulatory Commission and the State Economic and Trade Commission.

The Company will take steps to continue the optimisation of its corporate structure, to establish committees with defined terms of reference under the board of directors, and to formulate the implementing measures of such committees. It will also strengthen the decision making mechanism of the board of directors.

2. Implementation of the profit allocation proposal and the issue of new shares

- i) The resolution regarding the profit allocation proposal for 2001 was passed at the 2001 Annual General Meeting held on 25th April, 2002. Based on the total number of shares of 983,480,000 as at the end of 2001, a final dividend of RMB0.05 per share was declared. The total final dividend payment for the year was RMB49,174,000. The above-mentioned dividend had already been paid to holders of H shares and holders of state-owned shares whose names appeared on the register of members of the Company on 26th March, 2002.
- ii) The resolution regarding the issue of not more than 200 million A shares was passed at a general meeting held on 28th November, 2000. With the approval of China Securities Regulatory Commission's Public Offering Supervision Issue [2001] No.60, the Company successfully offered 200 million A shares (with a par value of RMB1 per share) on 24th January, 2002 at an issue price of RMB4.1 per A share through accumulated online bidding requests. The A share issue raised a total amount of RMB820 million. After deducting the expenses incurred for the A share issue, the net proceeds amounted to RMB793,539,800. Dealings in the aforesaid A shares on the Shanghai Stock Exchange commenced on 7th February, 2002.