

The board of directors of Anhui Conch Cement Company Limited (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2002 (the "reported period"). Please note that the financial statements set out herein have not been audited, but only have been reviewed by the audit committee of the board of directors of the Company.

The unaudited net revenue from operations of the Group during the reported period was RMB1,233.48 million, representing an increase of 37.1% from the corresponding period last year. Profit after taxation and minority interests was RMB103.48 million, representing an increase of 11.17% from the corresponding period last year. Earnings per share were RMB0.09 (all currency used in this report is Renminbi ("RMB") unless otherwise stated). The detailed operating results are set out in the unaudited financial statements below.

The board of directors is generally satisfied with the operating results during the reported period, and would like to sincerely thank the Company's shareholders and friends for their concern, support and encouragement.

BASIC CORPORATE INFORMATION

1. **Official name of the Company** (Chinese) : 安徽海螺水泥股份有限公司
(English) : Anhui Conch Cement Company Limited
Abbreviation : ACC
2. **Exchanges on which the Company's shares are listed**
H shares : The Stock Exchange of Hong Kong Limited
Stock code : 0914
A shares : The Shanghai Stock Exchange
Stock code : 600585
Stock abbreviation : Conch Cement
3. **Registered address and address of office** : 209 Beijing East Road
Wuhu City
Anhui Province
The PRC
Postal code : 241000
E-mail address of the Company : conch@mail.ahwhppt.net.cn
4. **Legal representative of the Company** : Guo Wensan
5. **Company secretary** : Zhang Mingjing
Contact telephone number : 0553-3115 338
Fax number : 0553-3114 550
Securities affairs representative : Yang Kaifa
Contact telephone number : 0553-3114 546
E-mail address : conch_ah@mail.ahwhppt.net.cn
6. **Company's prescribed newspapers for disclosure of information** : "Shanghai Securities Journal", "China Securities Journal", "Hong Kong Commercial Daily" and "The Standard"
Website for publication of this Interim Report : <http://www.sse.com.cn>
Location where the Company's Interim Reports are available for reference : Office of the Company secretariat

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

1. Changes in structure of share capital of the Company during the reported period were as follows:

	Before changes	Difference (+, -) Allotment	Unit: Share After changes
i) Unlisted Shares			
Promoters' shares	622,480,000	–	622,480,000
Including:			
State-owned shares	622,480,000	–	622,480,000
Total number of Unlisted Shares	622,480,000	–	622,480,000
ii) Listed Shares			
a) RMB ordinary shares ("A shares")	–	+200,000,000	200,000,000
b) Overseas listed foreign shares ("H shares")	361,000,000	–	361,000,000
Total number of Listed Shares	361,000,000	+200,000,000	561,000,000
iii) Total number of shares	983,480,000	+200,000,000	1,183,480,000

2. Number of shareholders as at the end of reported period and shareholdings of substantial shareholders

- i) As at 30th June, 2002, the number of registered shareholders of the Company was 37,373.
- ii) As at 30th June, 2002, the top 10 registered shareholders ("Shareholders") of the Company were as follows:

Rank	Name of Shareholders	No. of shares held (shares)	Percentage of shareholdings (%)	Type of shares
1	Anhui Conch Holdings Company Limited	622,480,000	52.60	State-owned shares
2	HKSCC Nominees Limited	358,163,999	30.26	H shares
3	Fenghe Jiazhi (Fund)	6,000,000	0.51	A shares
4	Taihe Fund	5,218,175	0.44	A shares
5	Tongqian Fund	4,756,288	0.40	A shares
6	Anshun Fund	4,542,880	0.38	A shares
7	Kaiyuan Fund	3,343,408	0.28	A shares
8	Guoyuan Securities Co.	3,148,266	0.27	A shares
9	Huaan Chuangxin Fund	3,112,468	0.26	A shares
10	Anxin Fund	3,038,017	0.26	A shares

Notes:

- In the above list of Shareholders, Anhui Conch Holdings Company Limited held 622,480,000 shares, representing approximately 52.6% of the total share capital of the Company. There was no change in its shareholding during the reported period, nor was there any pledge or stop order in respect of the shares.
- HKSCC Nominees Limited held 358,163,999 H shares for its various clients and accounted for approximately 30.26% of the total share capital of the Company.

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.

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.

3. Material litigation and arbitration

- i) Regarding the proceedings commenced by China New Model Construction Materials (Group) Corporation ("China New Model") in the High Court of Anhui Province against the Company about "loans converted from state-allocated funds" being converted into shareholding equity, China New Model withdrew on 6th June, 2002 the action it filed against the Company in the relevant court, which granted a consent order on the same day.
- ii) For the six months ended 30th June, 2002, the directors, supervisors and senior management of the Group were not involved in any material litigation.

4. During the reported period, the Company and Nanjing Huajian Group Company ("Nanjing Huajian") entered into a letter of intent regarding the acquisition of Nanjing Huajian's subsidiary, China Cement Plant. However, the detailed terms related to the acquisition have not yet been finalized. The Company will make further announcements after the agreement is signed and approval is obtained from the board of directors.

Apart from this, the Company did not engage in any material acquisition, sale or disposal of assets, nor was it involved in any corporate acquisition and merger during the reported period.

5. **For details of transactions between the Company and connected companies during the reported period, please refer to Note 12 of the financial statements.**

6. Material Contracts

- i) The Company did not put any assets under custodial management nor sub-contract nor rent any assets of material importance from other companies, nor had the Company's assets been put under custodial management nor sub-contracted nor rented by other companies during the reported period or before which but continued in the reported period.
- ii) Guarantee

During the reported period, the accumulated external guarantees of the Company amounted to RMB204.75 million. All of them were for bank loans borrowed by its subsidiaries. The details are as follows:

No.	Name of the companies for which the guarantee were provided	Amount (RMB'000)	Effective period	Relationship with the Company
1	Anhui Ningguo Cement Plant	20,000	2002.3.6-2003.3.5	100% owned subsidiary
2	Nanjing Conch Cement Co., Ltd.	5,000	2002.3.21-2003.3.21	100% owned subsidiary
3	Anhui Tongling Conch Cement Co., Ltd.	30,000	2002.3.8-2003.3.7	68.14% owned subsidiary
4	Shanghai Conch Cement Co., Ltd.	10,000	2002.3.15-2003.3.15	75% owned subsidiary
		10,000	2002.4.30-2003.4.25	
5	Nantong Conch Cement Co., Ltd.	19,750	2002.3.18-2003.3.18	99% owned subsidiary
6	Zhangjiagang Conch Cement Co., Ltd.	28,000	2002.3.15-2003.3.14	98.7% owned subsidiary
7	Ningbo Conch Cement Co., Ltd.	82,000	2002.4.10-2003.4.9	60% owned subsidiary
	Total	204,750		

As at 30th June, 2002, the machineries and equipment of the Company's subsidiary Ningbo Conch were pledged to the bank at a book value of RMB113,445,000 for its short-term borrowings.

- iii) During the reported period, the Company did not make any trust arrangement for its material financial assets.

7. Appointment of auditors

Pursuant to the mandate granted at the 2001 Annual General Meeting of the Company, the board of directors has formally appointed PricewaterhouseCoopers Zhong Tian Certified Public Accountants and PricewaterhouseCoopers to audit its 2002 financial accounts according to the PRC accounting standards and IAS respectively.

8. Taxation

For details of taxation, please refer to Note 4 of the financial statements.

9. Staff accommodation

The Group does not own any quarters for staff accommodation nor operate any scheme for the provision of staff accommodation. The Group and its staff are required to make contributions to a statutory housing reserve fund at a prescribed percentage of the salaries of the staff. Apart from such contributions, the Group is under no liability for the provision of housing or housing benefits to its staff. For the six months ended 30th June, 2002, the housing reserve fund paid by the Group amounted to RMB1,867,400.

10. Staff, remuneration and training

As of 30th June, 2002, the Group had a total of 7,091 employees. The aggregate remuneration, representing the total amount of salaries paid to the staff for the reported period, was RMB47,889,290. Staff bonuses, allocation of which is subject to the individual's contribution to the Company's results, are normally paid at the end of the financial year.

During the reported period, the Company gradually carried out a contribution-based salary mechanism, which combines work allocation and major factors allocation systems. This mechanism enables staff salaries to link with the increase of the scale and efficiency of production and sales of the Company.

During the reported period, the Group strengthened its staff pre-posting training. The Group assigned the staff who would operate the production lines then under construction to other factories of the Group for exchanges of job duties and training, to enhance their technical level and job skills, which will help them to acquire the skills in operating the new production lines once they commence operation.

11. Dividend

The board of directors had decided not to declare any interim dividend for the year 2002 pursuant to the general mandate granted at the 2001 Annual General Meeting.

12. Index of other important notices

- i) The announcement on the litigation of China New Model against the Company was published in "Shanghai Securities Journal", "Hong Kong Commercial Daily" and "The Standard" (previously known as "Hong Kong iMail") on 26th February, 2002, and in "Shanghai Securities Journal", "China Securities Journal", "Hong Kong Commercial Daily" and "The Standard" on 12th June, 2002.
- ii) The announcement of the resolutions passed in the 2001 Annual General Meeting was published in "Shanghai Securities Journal", "China Securities Journal", "Hong Kong Commercial Daily" and "The Standard" (previously known as "Hong Kong iMail") on 26th April, 2002.

2. Major financial information and Index according to the Accounting Standards and Regulations of the PRC

Table 1:

Item	Unit	From January 2002 to June 2002	From January 2001 to June 2001
Net profit	RMB'000	101,561	91,118
Net profit, after extraordinary profit or loss	RMB'000	101,897	91,437
Return on net assets	%	3.26	4.29
Return on net assets, after extraordinary profit or loss	%	3.27	4.31
Earnings per share	RMB/share	0.09	0.09
Earnings per share, after extraordinary profit or loss	RMB/share	0.09	0.09
Net cash inflow from operating activities per share	RMB/share	0.24	0.58

Items and amounts of extraordinary profit or loss during the reported period are as follows:

1. Non-operating expense (after tax)	-981(RMB'000)
2. Gain on disposal of equity investment in a subsidiary	+645(RMB'000)

Net extraordinary loss -336(RMB'000)

Table 2:

Item	Unit	As at 30th June, 2002	As at 31st December, 2001
Total assets	RMB'000	7,382,224	6,068,021
Shareholders' equity (Excluding minority interests)	RMB'000	3,118,575	2,210,524
Net assets per share	RMB/share	2.64	2.25
Adjusted net assets per share	RMB/share	2.61	2.24

Table 3:

Profit for the reported period	Return on net assets		Earnings per share (RMB)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from core business	13.66%	14.52%	0.36	0.39
Operating profit	6.60%	7.02%	0.17	0.19
Net profit	3.26%	3.46%	0.09	0.09
Net profit, after extraordinary profit or loss	3.27%	3.47%	0.09	0.09