

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2003

*(With comparatives for the six months ended 30th June, 2002)**(Amounts in thousands of Renminbi ("RMB"))*

	For the six months ended 30th June,	
	2003 (unaudited) RMB'000	2002 (unaudited) RMB'000
Revenue, net	2,116,990	1,233,481
Cost of sales	(1,340,943)	(805,021)
Gross profit	776,047	428,460
Distribution costs	(137,394)	(95,345)
Administrative expenses	(104,196)	(72,166)
Other operating expenses, net	(6,372)	(2,466)
Profit from operations	528,085	258,483
Finance costs, net <i>(Note 3)</i>	(82,949)	(52,388)
Gain on disposal of trading investments	—	1,294
Share of profit of an associate	97	754
Gain on disposal of a subsidiary	—	645
Subsidy income	31,172	11,690
Profit before tax and minority interests <i>(Note 3)</i>	476,405	220,478
Income tax expense <i>(Note 4)</i>	(159,654)	(75,122)
Profit after tax but before minority interests	316,751	145,356
Minority interests	(93,025)	(41,876)
Net profit for the period	223,726	103,480
Dividends <i>(Note 5)</i>	59,174	49,174
Earnings per share <i>(Note 6)</i>		
- Basic	RMB 0.189	RMB 0.089
- Diluted	Not applicable	Not applicable

Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

As of 30th June, 2003

(With comparatives as of 31st December, 2002)

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

	As of 30th June, 2003 (unaudited) RMB'000	As of 31st December, 2002 (audited) RMB'000
ASSETS AND LIABILITIES		
Non-current assets		
Leasehold land	434,052	412,587
Property, plant and equipment	8,036,236	6,707,738
Intangible assets	99,274	97,360
Investment in an associate	47,520	47,424
Other long-term investments	10	10
Long-term receivables	22,000	22,000
	8,639,092	7,287,119
Current assets		
Inventories	485,340	304,062
Prepayments and other receivables	234,272	151,256
Due from related parties (Note 12)	25,489	6,194
Trade receivables (Note 9)	146,100	162,389
Trading investments	1,574	1,574
Cash on hand and bank deposits	701,713	797,873
	1,594,488	1,423,348
Current liabilities		
Current portion of long-term borrowings	519,325	509,611
Current portion of long-term payables	11,212	11,753
Other payables and accruals	898,437	695,694
Provision for taxes	227,826	90,605
Due to Holdings (Note 12)	2,833	1,285
Due to related parties (Note 12)	10,742	15,029
Trade payables (Note 10)	625,207	272,400
Short-term borrowings	1,762,733	1,850,453
	4,058,315	3,446,830
Net current liabilities	2,463,827	2,023,482
Total assets less current liabilities	6,175,265	5,263,637
Non-current liabilities		
Long-term borrowings, non-current portion	1,936,572	1,239,572
Long-term payables	81,252	84,407
	2,017,824	1,323,979
Minority interests	882,155	831,234
NET ASSETS	3,275,286	3,108,424
Capital and reserves		
Share capital (Note 7)	1,183,480	1,183,480
Reserves (Note 8)	2,091,806	1,924,944
EQUITY	3,275,286	3,108,424

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2003

*(With comparatives for the six months ended 30th June, 2002)**(Amounts in thousands of Renminbi ("RMB"))*

	For the six months ended 30th June,	
	2003	2002
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Net cash inflow from operating activities	794,611	232,012
Net cash outflow from investing activities	(1,410,798)	(826,954)
Net cash inflow from financing activities <i>(Note 11)</i>	520,027	994,025
(Decrease) increase in cash and cash equivalents	(96,160)	399,083
Cash and cash equivalents, beginning of period	799,447	608,437
Cash and cash equivalents, end of period	703,287	1,007,520

Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2003

(With comparatives for the six months ended 30th June, 2002)

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

	From 1st January, 2003 to 30th June, 2003 (unaudited)						
	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'00 (Note 8)	Retained earnings RMB'000 (Note 8)	Total shareholders' equity RMB'000
Balance as of 1 January 2003	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 31st December, 2002 (Note 5)	—	—	—	—	—	(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 (Note 15)	—	—	—	(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

	From 1st January, 2002 to 30th June, 2002 (unaudited)						
	Ordinary shares RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare reserve RMB'00	Retained earnings RMB'000	Total shareholders' equity RMB'000
Beginning of period	983,480	597,796	25,289	115,438	115,438	247,005	2,084,446
Issuance of ordinary shares	200,000	606,490	—	—	—	—	806,490
Dividends declared after 31st December, 2001	—	—	—	—	—	(49,174)	(49,174)
Net profit for the period	—	—	—	—	—	103,480	103,480
End of period	1,183,480	1,204,286	25,289	115,438	115,438	301,311	2,945,242

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of 30th June, 2003

(With comparatives for the six months ended 30th June, 2002 and as of 31st December, 2002)

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

1. Accounting policies and basis of preparation

The accompanying condensed interim consolidated financial statements 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 31st December, 2002.

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 2002 annual financial statements.

2. Principles and basis of consolidation

The accompanying condensed consolidated financial statements include the accounts of Anhui Conch Cement Company Limited (the "Company") and its subsidiaries (hereinafter together with the Company referred to as the "Group").

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.

Details of the Group's subsidiaries as of 30th June, 2003 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 21st January, 1985	100% (directly held)	RMB 649,347,000	Manufacture and sale of clinker and cement products
Ningbo Conch Cement Co., Ltd. 寧波海螺水泥有限公司	PRC 3rd April, 1993	75% (directly held)	RMB 171,000,000	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 23rd June, 1994	75% (directly held)	US\$ 29,980,000	Manufacture and sale of clinker and cement products
Shanghai Conch Pearl Cement Co., Ltd. ("Conch Pearl Cement") 上海海螺明珠水泥有限責任公司	PRC 3rd April, 1995	76.20% (directly held)	RMB 13,710,000	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 22nd September, 1995	68.14% (directly held)	RMB 565,000,000	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 5th January, 1998	100% (indirectly held)	RMB 10,000,000	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 9th July, 1998	100% (indirectly held)	RMB 1,000,000	Trading and sale of clinker and cement products
Wuxi Conch Cement Sales Co., Ltd. 無錫市海螺水泥銷售有限公司	PRC 30th July, 1998	60.5% (directly held)	RMB 600,000	Sale of clinker and cement products

Name of subsidiaries	Country of incorporation and date of incorporation	Company's equity interest	Registered capital	Principal activities
Anhui Changfeng Conch Cement Co., Ltd. 安徽長豐海螺水泥有限公司	PRC 4th September, 1998	80% (directly held)	RMB 10,000,000	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 30th September, 1998	98.71% (directly held)	RMB 35,000,000	Manufacture and sale of clinker and cement products
Shanghai Conch Cement Co., Ltd. 上海海螺水泥有限公司	PRC 13th November, 1998	75% (directly held)	RMB 60,000,000	Manufacture and sale of clinker and cement products
Nanjing Conch Cement Co., Ltd. 南京海螺水泥有限公司	PRC 20th November, 1998	99.75% (directly held) 0.25% (indirectly held)	RMB 15,000,000	Manufacture and sale of clinker and cement products
Nantong Conch Cement Co., Ltd. 南通海螺水泥有限公司	PRC 22nd June, 1999	99% (directly held)	RMB 15,000,000	Manufacture and sale of clinker and cement products
Shanghai Conch Cement Sales Co., Ltd. 上海海螺水泥銷售有限公司	PRC 2nd November, 1999	90% (directly held) 10% (indirectly held)	RMB 5,000,000	Sale of clinker and cement products
Nanchang Conch Construction Materials Trading Co., Ltd. 南昌海螺建材貿易有限責任公司	PRC 28th January, 2000	90% (directly held) 10% (indirectly held)	RMB 1,000,000	Trading of construction materials
Anhui Digang Conch Cement Co., Ltd. ("Digang Cement") 安徽荻港海螺水泥股份有限公司	PRC 28th April, 2000	51% (directly held)	RMB 150,000,000	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 9th June, 2000	76% (directly held)	RMB 14,000,000	Manufacture and sale of clinker and cement products

Name of subsidiaries	Country of incorporation and date of incorporation	Company's equity interest	Registered capital	Principal activities
Anhui Zongyang Conch Cement Co., Ltd. 安徽縱陽海螺水泥股份有限公司	PRC 19th June, 2000	51% (directly held)	RMB 300,000,000	Manufacture and sale of clinker and cement products
Anhui Chizhou Conch Cement Co., Ltd. 安徽池州海螺水泥股份有限公司	PRC 2nd November, 2000	51% (directly held)	RMB 318,000,000	Manufacture and sale of clinker and cement products
Taizhou Conch Cement Co., Ltd. 泰州海螺水泥有限責任公司	PRC 6th November, 2000	93.75% (directly held)	RMB 11,520,000	Manufacture and sale of clinker and cement products
Bangbu Conch Cement Co., Ltd. 蚌埠海螺水泥有限責任公司	PRC 9th February, 2001	96.7% (directly held) 3.3% (indirectly)	RMB 6,000,000	Manufacture and sale of clinker and cement products
Wenzhou Conch Cement Co., Ltd. 溫州海螺水泥有限公司	PRC 16th March, 2001	95% (directly held) 5% (indirectly held)	RMB 50,000,000	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 20th August, 2001	51% (directly held)	RMB 50,000,000	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 14th November, 2001	90% (directly held) 10% (Indirectly held)	RMB 16,000,000	Manufacture and sale of clinker and cement products
Jiande Conch Cement Co., Ltd. 建德海螺水泥有限責任公司	PRC 28th November, 2001	90% (directly held) 10% (Indirectly held)	RMB 50,000,000	Manufacture and sale of clinker and cement products

Name of subsidiaries	Country of incorporation and date of incorporation	Company's equity interest	Registered capital	Principal activities
Nanchang Conch Cement Co., Ltd. 南昌海螺水泥有限責任公司	PRC 18th January, 2002	90% (directly held) 10% (Indirectly held)	RMB 20,000,000	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 1st February, 2002	98.7% (directly held) 1.3% (Indirectly held)	RMB 31,420,000	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 20th June, 2002	95% (directly held) 5% (Indirectly held)	RMB 50,000,000	Manufacture and sale of clinker and cement products
Anhui Huainin Conch Cement Co., Ltd. 安徽懷寧海螺水泥有限責任公司	PRC 24th October, 2002	96% (directly held) 4% (Indirectly held)	RMB 50,000,000	Manufacture and sale of clinker and cement products
China Cement Plant Co., Ltd. 中國水泥廠有限公司	PRC 9th October, 2002	90% (directly held) 10% (Indirectly held)	RMB 10,000,000	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 8th January, 2003	90% (directly held) 10% (Indirectly held)	RMB 20,000,000	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 15th January, 2003	90% (directly held) 10% (Indirectly held)	RMB 20,000,000	Manufacture and sale of clinker and cement products

On 18 June 2003, the board of the directors of the Company approved the joint establishment by the Company and Digang Cement of Taizhou Conch Cement Co., Ltd. ("Taizhou Cement") with a registered capital of RMB20 million, of which RMB18 million (representing 90% thereof) would be contributed by the Company. As of 30 June 2003, Taizhou Cement has not been completed its official registration.

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 30th June,	
	2003 (unaudited) RMB'000	2002 (unaudited) RMB'000
Interest expenses on borrowings	107,103	61,524
Less: Amounts capitalised in construction-in-progress	(20,589)	(4,907)
Interest expense	86,514	56,617
Interest income	(3,569)	(4,229)
Net foreign exchange loss	4	—
Finance cost, net	82,949	52,388
Amortisation of leasehold land	4,295	4,097
Depreciation of property, plant and equipment	190,396	120,660
Amortisation of intangible assets	3,985	4,835

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 Anhui Hailuo Cement Product Co., Ltd. (Hailuo Cement), which is a sino-foreign equity joint venture and entitled to full exemption from EIT for the first two years and 50 per cent reduction for the next three years commencing from the first profitable year of operation after offsetting all tax losses carried from previous years (at most five years) ("Tax Holidays"). 1999 was the last year of this subsidiary in the Tax Holidays, the applicable EIT rate is 15 per cent. In 2000, this subsidiary was recognised as advanced technology enterprise with foreign investment. Hence according to the tax regulations, Hailuo Cement was granted 50 per cent reduction for another three years after the Tax Holidays expired. In 2003, this subsidiary was recognized as Foreign Investment Enterprise located in the midst of China. Hence according to the tax regulations, Hailuo Cement was granted 50 per cent reduction for another 3 years from the beginning of 2003. Therefore, the applicable EIT rate is 15 per cent for Hailuo Cement in 2003.

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

	For the six months ended 30th June,	
	2003 (unaudited) RMB'000	2002 (unaudited) RMB'000
Income tax expense		
- current	159,654	75,122

There were no Hong Kong profits tax liabilities as the Group did not earn any income subject to Hong Kong profits tax.

As of 30th June, 2003, there was no material unprovided deferred tax.

5. Dividends

During this interim reporting period, the shareholder's meeting approved the dividend appropriation for 2002 of approximately RMB 59,174,000 (RMB 0.05 per share) (corresponding period of 2002: RMB 49,174,000 (RMB 0.05 per share)), which has been paid-off as of 30th June, 2003.

The directors do not recommend any interim dividend for the six months ended 30th June 2003 (corresponding period of 2002: nil).

6. Earnings per share

The calculation of basic earnings per share was based on the unaudited consolidated net profit of approximately RMB 223,726,000 for the six months ended 30th June, 2003 (corresponding period of 2002: approximately RMB 103,480,000) divided by the weighted average number of 1,183,480,000 ordinary shares (corresponding period of 2002: 1,158,065,635 ordinary shares) in issue during the period.

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

7. Share capital

Pursuant to the approval document [2002] 60 issued by China Securities Regulatory Commission dated 21st January 2002, the Company issued 200,000,000 domestic investment ordinary shares ("A shares") at the price of RMB 4.10 each, which were listed on the Shanghai Stock Exchange on 7th February, 2002.

The details of share capital are as follows:

	Number of shares ('000)		Amount (RMB'000)	
	As of 30th June, 2003 (unaudited)	As of 31st December, 2002 (audited)	As of 30th June, 2003 (unaudited)	As of 31st December, 2002 (audited)
Registered, issued and fully paid				
- State-owned shares with a par value or RMB 1.00 each (a)	—	622,480	—	622,480
- State-owned legal person shares with a par value of RMB 1.00 each (a)	622,480	—	622,480	—
- A shares with a par value of RMB 1.00 each	200,000	200,000	200,000	200,000
- Overseas public shares with a par value of RMB 1.00 each ("H shares")	361,000	361,000	361,000	361,000
	1,183,480	1,183,480	1,183,480	1,183,480

- (a) Pursuant to related approval, Anhui Conch Holdings Company Limited ("Holdings") was transformed from a wholly-state-owned enterprise to a non-wholly-state-owned limited company. The state-owned shares held by Holdings were changed to state-owned legal person shares accordingly.

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 30th June, 2003 (unaudited) RMB'000	As of 31st December, 2002 (audited) RMB'000
Surplus arising from related party transaction	25,289	25,289
Proportion of capital reserve addition of subsidiaries	5,651	3,341
	30,940	28,630

(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.

9. Trade receivables

	As of 30th June, 2003 (unaudited) RMB'000	As of 31st December, 2002 (audited) RMB'000
Accounts receivable	69,063	85,046
Bank acceptance notes receivable	98,338	96,574
Less: Provision for bad and doubtful debts	(21,301)	(19,231)
	146,100	162,389

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 30th June, 2003 (unaudited) RMB'000	As of 31st December, 2002 (audited) RMB'000
Ageing		
- not exceeding one year	44,086	62,435
- more than one year but not exceeding two years	4,358	6,546
- more than two years but not exceeding three years	7,532	3,327
- more than three years	13,087	12,738
	69,063	85,046

10. Trade payables

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

11. Supplementary information to condensed consolidated cash flow statement

Analysis of changes in financing activities during the six months ended 30th June, 2003:

	For the six months ended 30th June,				2002 Total (unaudited) RMB'000
	2003 Share capital and reserves (unaudited) RMB'000	2003 Bank borrowings* (unaudited) RMB'000	2003 Minority interests (unaudited) RMB'000	2003 Total (unaudited) RMB'000	
Beginning of period	3,108,424	3,599,636	831,234	7,539,294	5,301,509
Financing activities involving cash flows:					
Issuance of ordinary shares less expenses	—	—	—	—	809,847
Net cash inflow from financing of bank borrowings	—	618,994	—	618,994	259,128
Addition of share premium from a subsidiary's donation received	2,310	—	—	2,310	—
Additions of minority interest from a subsidiary's donation received	—	—	771	771	—
Payment of dividends	(59,174)	—	—	(59,174)	(49,174)
Payment of dividends to minority interests	—	—	(42,875)	(42,875)	(25,776)
	(56,864)	618,994	(42,104)	520,026	994,025
Non-financing or non-cash activities:					
Increase in payables of share offer expenses	—	—	—	—	(3,357)
Profit for the period	223,726	—	—	223,726	103,480
Profit attributable to minority interests	—	—	93,025	93,025	41,876
Decrease of minority interests from disposal of a subsidiary	—	—	—	—	(766)
	223,726	—	93,025	316,751	141,233
End of period	3,275,286	4,218,630	882,155	8,376,071	6,436,767

* As of 30th June, 2003, borrowings of the Group bore annual interest ranging from 2.28 per cent to 6.03 per cent. Approximately RMB 3,365,778,000 of the borrowings were guaranteed by Holdings. Approximately RMB 110,000,000 of the borrowings were guaranteed by the Group's machinery and equipment with an aggregate net book value of approximately 104,173,000. The remaining borrowings of approximately RMB 742,852,000 were drawn down under credit.

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 30th June,	
	2003	2002
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Trademark licence fees paid to Holdings	757	757
Composite services fees paid to Holdings	1,252	1,776

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

	For the six months ended 30th June,	
	2003	2002
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Purchase of cement packaging materials	64,343	43,621
Purchase of construction services	1,168	6,710
Sales of cement products	1,068	—
Purchase of transportation services	—	2,060

(c) *Details of transactions between the Group and an associated company were as follows:*

	For the six months ended 30th June,	
	2003	2002
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Sales of cement products		
- Anhui King Bridge Cement Co., Ltd.	—	3,120

(d) Due from/to related parties

Name of related party	Nature of relationship	
Anhui Conch Construction and Installation Co., Ltd ("Conch Construction and Installation")	Subsidiary of Holdings	
Anhui Ningchang Packaging Material Bags Co., Ltd. ("Ningchang Packaging")	Subsidiary of Holdings	
Wuhu Conch Plastic Products Co., Ltd. ("Wuhu Plastic")	Subsidiary of Holdings	
Wuhu Conch Profile Science & High-tech Co., Ltd. ("Conch Profile")	Subsidiary of Holdings	
Shanghai Conch Construction Materials Trading Co., Ltd. ("Shanghai Trading")	Subsidiary of Holdings	
Shanghai Lingqiao Enterprise Development Co., Ltd. ("Shanghai Lingqiao")	Minority shareholder of Conch Pearl Cement	
Shandong Nanhua Co., Ltd. ("Shandong Nanhua")	Minority shareholder of Conch Pearl Cement	
	As of	As of
	30th June,	31st December,
	2003	2002
	(unaudited)	(audited)
	RMB'000	RMB'000
Due from related parties		
Conch Profile	769	2,310
Shanghai Trading	18,718	—
Conch Construction and Installation	1,678	1,570
Other related parties	4,324	2,314
	25,489	6,194
Due to related parties		
Ningchang Packaging	4,284	7,619
Wuhu Plastic	5,763	3,451
Other related parties	695	3,959
	10,742	15,029
Long-term payables to related parties		
Shanghai Lingqiao	1,583	1,583
Shandong Nanhua	6,172	6,172
	7,755	7,755

13. Impact of IFRS adjustment on net profit and net assets

	Net profit for the six months ended 30th June,		Net assets as of, 30th June, 31st December,	
	2003 (unaudited) RMB'000	2002 (unaudited) RMB'000	2003 (unaudited) RMB'000	2002 (audited) RMB'000
As reported in the Group's statutory accounts	221,808	101,561	3,444,785	3,220,666
Impact of adjustment:				
- dividends proposed in subsequent period	—	—		59,174
- reversal of revaluation surplus of leasehold land	1,918	1,919	(169,499)	(171,414)
As restated in the Group's IFRS financial statements	223,726	103,480	3,275,286	3,108,426

14. Commitments

(a) Capital commitments

Capital commitments relating to purchases of machinery and equipment for production purposes as of 30th June, 2003 were as follows:

	As of 30th June, 2003 (unaudited) RMB'000
Contracted but not provided for	1,892,790
Authorised but not contracted for	772,125
	2,664,915

(b) License agreement

As of 30th June, 2003, the Company is committed to pay trademark license fee to Holdings at RMB 1,513,000 per annum. The license agreement does not indicate the expiration date.

15. Supplementary information to condensed consolidated statement of changes in equity

Transform a wholly-owned subsidiary to a branch

During June, 2003, the Company transformed the wholly-owned subsidiary — Anhui Baimashan Cement Plant (“Baima Plant”) to its branch.

Therefore, the statutory surplus reserve and statutory public welfare reserve of Baima Plant as of 30th June, 2003 were released and transferred back to the Company’s retained earnings.

16. Comparative figures

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