



華潤水泥控股有限公司

China Resources Cement Holdings Limited

(incorporated in the Cayman Islands with limited liability)

FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

Consolidated

For the Period

	<i>HK\$'000</i>
Turnover	543,729
Profit from operations	47,549
Profit attributable to shareholders	23,553
Earnings per share – basic (HK\$)	0.114
Dividends per share	Nil

ADDITIONAL FINANCIAL INFORMATION

Pro forma combined financial information

For the year ended 31 December

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	1,070,189	899,450
Profit from operations	92,735	123,034
Net profit	49,272	72,772
Earnings per share – basic (HK\$)	0.136	0.201

1. FINAL RESULTS 2003

The Directors of China Resources Cement Holdings Limited (the “Company”) are pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the period from 13 March 2003 (date of incorporation) to 31 December 2003 (the “Period”) as follows:

	<i>Notes</i>	Consolidated HK\$'000
Turnover	<i>1(c)</i>	543,729
Cost of sales		(410,913)
		<hr/>
Gross profit		132,816
Other income		20,127
Selling and distribution expenses		(42,034)
General and administrative expenses		(63,360)
		<hr/>
Profit from operations		47,549
Finance costs	<i>1(d)</i>	(10,024)
Share of results of associates		(3,423)
		<hr/>
Profit before taxation	<i>1(e)</i>	34,102
Taxation	<i>1(f)</i>	(3,254)
		<hr/>
Profit before minority interests		30,848
Minority interests		(7,295)
		<hr/>
Profit attributable to shareholders		23,553
		<hr/> <hr/>
Earnings per share (<i>HK\$</i>)	<i>1(g)</i>	
Basic		0.114
Diluted		0.114
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Notes:

1(a) GROUP REORGANISATION AND BASIS OF PREPARATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 13 March 2003 under the Companies Law (2002 Revision) of the Cayman Islands. Pursuant to a reorganisation scheme (the “Group Reorganisation”) and the acquisition of Flavour Glory Limited, Clear Bright Investments Limited, Full Sincere Limited and Goodsales Investments Limited (the “Acquisitions”) to form a group structure (the “Then Group Structure”) of the Company and the companies under the Group Reorganisation and the Acquisitions (the “Enlarged Group”), the Enlarged Group was formed immediately after the completion of Group Reorganisation and the Acquisitions and the Company became the holding company of the Enlarged Group on 22 July 2003.

The results of the Group were accounted for using acquisition accounting method.

1(b) PRINCIPAL ACCOUNTING POLICIES AND CHANGES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies are consistent with those disclosed in the Accountants’ Report of the Group as set out in the Company’s prospectus dated 26 June 2003 (the “Prospectus”) except for the adoption of SSAP 12 (Revised) “Income Taxes” (“SSAP 12 (Revised)”) issued by the Hong Kong Society of Accountants. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax.

1(c) TURNOVER AND SEGMENT INFORMATION

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

For the Period

	Cement	Concrete	Elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
External sales	272,612	271,117	–	543,729
Inter-segment sales	42,460	141	(42,601)	–
	<u>315,072</u>	<u>271,258</u>	<u>(42,601)</u>	<u>543,729</u>
Results				
Segment results	33,642	20,931	–	54,573
Interest income				843
Unallocated corporate expenses				<u>(7,867)</u>
Profit from operations				47,549
Finance costs				(10,024)
Share of results of associates		(3,423)		<u>(3,423)</u>
Profit before taxation				34,102
Taxation				<u>(3,254)</u>
Profit before minority interests				30,848
Minority interests				<u>(7,295)</u>
Profit attributable to shareholders				<u>23,553</u>

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

For the Period	Segment turnover <i>HK\$'000</i>
Chinese Mainland	299,855
Hong Kong	243,874
	<u>543,729</u>

1(d) FINANCE COSTS

Consolidated for the Period	<i>HK\$'000</i>
Interest on:	
Bank loans wholly repayable within five years	10,072
Loans from minority interests of subsidiaries	524
	<u>10,596</u>
<i>Less: Amount capitalised to fixed assets</i>	<u>(572)</u>
	<u>10,024</u>

1(e) PROFIT BEFORE TAXATION

Consolidated for the Period	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging:	
Total staff costs	59,089
Depreciation and amortisation	38,841
Operating lease payments in respect of rented premises	13,663
	<u>111,593</u>

1(f) TAXATION

Consolidated for the Period	HK\$'000
Current taxation	
Hong Kong Profits Tax	
Companies and subsidiaries	3,320
Deferred taxation	
Current period	(66)
	<u>3,254</u>

1(g) EARNINGS PER SHARE

Consolidated for the Period

The calculation of basic and diluted earnings per share is based on the following data:

<i>Earnings</i>	HK\$'000
Profit attributable to shareholders for the purpose of calculating basic and diluted earnings per share	<u>23,553</u>
<i>Number of shares</i>	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	206,805
Effect on dilutive potential ordinary shares on share options	<u>305</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>207,110</u>

2. ADDITIONAL FINANCIAL INFORMATION – PRO FORMA COMBINED PROFIT AND LOSS ACCOUNT

To provide additional information, the pro forma combined financial information of the Group for each of the two years ended 31 December 2003 have been prepared based on the audited financial statements, prepared in accordance with accounting principles generally accepted in Hong Kong, of the companies comprising the Group after making such adjustments for the purpose of preparing the pro forma combined financial information of the Group.

The Enlarged Group is regarded, for the purpose of this pro forma combined financial information, as a continuing entity. In order for the pro forma combined financial information to be comparable with the financial information contained in the Prospectus, the pro forma combined profit and loss account included the results of the companies comprising the Enlarged Group and have been prepared as if the Then Group Structure (as of 22 July 2003 immediately after the Group Reorganisation and the Acquisition) had been in existence throughout the two years ended 31 December 2003, or since their respective dates of incorporation or establishment, where there is a shorter period. Subsidiaries acquired after 22 July 2003 are accounted for using acquisition accounting.

The pro forma combined financial information of the Group presented below does not purport to present what the financial information would actually have been if the Company had been the holding company of the companies comprising the Group since 1 January 2002, or to project the financial information for any future period and is included for information purpose only.

		Proforma Combined	
		2003	2002
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2(b)	1,070,189	899,450
Cost of sales		(811,757)	(631,686)
Gross profit		258,432	267,764
Other income		30,891	30,087
Selling and distribution expenses		(92,738)	(81,607)
General and administrative expenses		(104,124)	(93,572)

Impairment loss in respect of goodwill arising on acquisition of additional interest in subsidiaries		–	(557)
Negative goodwill arising on acquisition of additional interest in a subsidiary realised		<u>274</u>	<u>919</u>
Profit from operations		92,735	123,034
Finance costs	2(c)	(17,688)	(29,081)
Share of results of associates		(4,308)	3,962
Profit before taxation	2(d)	70,739	97,915
Taxation	2(e)	(8,214)	(19,528)
Profit before minority interests		62,525	78,387
Minority interests		(13,253)	(5,615)
Net profit		<u>49,272</u>	<u>72,772</u>
Earnings per share (HK\$)	2(f)		
Basic		0.136	0.201
Diluted		<u>0.136</u>	<u>N/A</u>

Notes:

2(a) PRINCIPAL ACCOUNTING POLICIES AND CHANGES

The pro forma combined financial information have been prepared under the historical cost convention. The basis of preparation and the principal accounting policies are consistent with those followed in the preparation of the Pro Forma Combined Financial Information Of The Enlarged Group for each of the three years ended 31 December 2002, as set out in the Prospectus, except for the adoption, for the first time, of SSAP 12 (Revised). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts, which were presented in Appendix VI to the Prospectus, have been restated accordingly.

2(b) TURNOVER AND SEGMENT INFORMATION

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

Pro forma combined financial information

For the year ended 31 December

	Cement		Concrete		Elimination		Combined	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover								
External sales	586,221	445,410	483,968	454,040	-	-	1,070,189	899,450
Inter-segment sales	73,556	61,392	556	-	(74,112)	(61,392)	-	-
	<u>659,777</u>	<u>506,802</u>	<u>484,524</u>	<u>454,040</u>	<u>(74,112)</u>	<u>(61,392)</u>	<u>1,070,189</u>	<u>899,450</u>
Results								
Segment results	66,742	52,938	33,836	67,271	-	-	100,578	120,209
Interest income							1,597	2,463
Impairment loss in respect of goodwill	-	(557)	-	-	-	-	-	(557)
Release of negative goodwill	-	919	274	-	-	-	274	919
Unallocated corporate expenses							(9,714)	-
Profit from operations							92,735	123,034
Finance costs							(17,688)	(29,081)
Share of results of associates			(4,308)	3,962			(4,308)	3,962
Profit before taxation							70,739	97,915
Taxation							(8,214)	(19,528)
Profit before minority interests							62,525	78,387
Minority interests							(13,253)	(5,615)
Net profit							<u>49,272</u>	<u>72,772</u>

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

Pro forma combined for the year ended 31 December

	Segment turnover	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Chinese Mainland	610,651	448,693
Hong Kong	459,538	450,757
	<u>1,070,189</u>	<u>899,450</u>

2(c) FINANCE COSTS

Pro forma combined for the year ended 31 December

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank loans wholly repayable within five years	20,247	24,723
Other loans wholly repayable within five years	466	2,244
Loans from minority interests of subsidiaries	1,877	2,114
	<u>22,590</u>	<u>29,081</u>
<i>Less:</i> Amount capitalised to fixed assets	<u>(4,902)</u>	<u>–</u>
	<u>17,688</u>	<u>29,081</u>

2(d) PROFIT BEFORE TAXATION

Pro forma combined for the year ended 31 December

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Total staff costs	101,525	80,940
Depreciation and amortisation	75,269	70,381
Operating lease payments in respect of rented premises	<u>20,301</u>	<u>16,151</u>

2(e) TAXATION

Pro forma combined for the year ended 31 December

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Current taxation		
Hong Kong Profits Tax		
Companies and subsidiaries	4,717	11,261
Deferred taxation	4,671	8,415
Share of taxation attributable to associates	<u>(1,174)</u>	<u>(148)</u>
	<u>8,214</u>	<u>19,528</u>

2(f) EARNINGS PER SHARE

Pro forma combined for the year ended 31 December

The calculation of basic and diluted earnings per share is based on the following data:

	2003	2002
	HK\$'000	HK\$'000
Earnings		
Net profit for the purpose of calculating basic and diluted earnings per share	<u>49,272</u>	<u>72,772</u>
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (<i>Note</i>)	362,807	362,807
Effect on dilutive potential ordinary shares on share options	<u>245</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>363,052</u>	<u>362,807</u>

Note: It was calculated on the assumption that 362,807,461 shares were in issue throughout the year as if the Group Reorganisation and the Acquisitions had been completed on 1 January 2002.

DIVIDENDS

As mentioned in the Prospectus, the Directors do not recommend the payment of a dividend for the Period.

CORPORATE STRATEGY

Year 2003 was a challenging year, yet a prosperous year for the Chinese economy and the Chinese cement industry. Severe Acute Respiratory Syndrome, followed by serious drought in Southern China, had a significant impact on the general economy and people's life. Despite of the troubles and challenges, the Chinese Mainland's Gross Domestic Products and capital expenditures reached RMB11,600 billion and RMB5,500 billion respectively in 2003, represented annual growth of 9.1% and 26.7% respectively. With the strong economic growth of the Chinese Mainland, more capital expenditure has been made for infrastructural and housing development projects resulting in a greater demand for general building materials including cement. The cement industry in the Chinese Mainland experienced rapid growth and consolidation in 2003. Total cement production was approximately 862 million tonnes (Source: National Bureau of Statistics of China) representing growth of about 18.9% as compared with 2002. At the end of 2003, new suspension preheater ("NSP") cement in the Chinese Mainland accounted for about 23% of its total cement production capacity.

Our Company's objective is to be a leading participant in the consolidation of the industry and the improvement in the technology available to and management of the cement industry in order to support the construction industry in China by supplying high quality building materials. As one of the few vertically integrated cement and concrete manufacturers in China with its operations extending from limestone mining, clinker and cement production, ready mixed concrete batching to the manufacture of precast concrete products, we are also keen to establish a leadership position in the cement industry in the Guangdong Province and the Guangxi Zhuang Autonomous Region ("Guangxi ZAR") and become one of the most competitive cement and concrete producers in China.

We summarise our principal cement business strategy with the expression "**Two points, one stroke (兩點一線)**". The first point refers to the Pearl River Delta region in Guangdong Province ("PRD"), our target market which is one of China's largest and fastest growing cement markets with an annual cement consumption of over 60 million tonnes. The second point refers to the Guangxi ZAR which possesses one of the best quality and the most abundant reserves of limestone in China and where our production base is located. One stroke represents the Xijiang River which provides the cheapest means of transportation for the delivery of our cement products from our production base in Guangxi ZAR to our target market in the PRD. We intend to concentrate our production on high grade cement, being grade 42.5 and above, which is manufactured at our plants in the Guangxi ZAR and shipped to the grinding factories or silos built along the Xijiang River for further processing and sale to our customers in Guangdong Province. Other than the above region, we will explore development opportunities

in other provinces in the Chinese Mainland so as to participate in the industry consolidation and development.

With regard to concrete business, we will strive to maintain our proportionate market share in Hong Kong and stabilise our sales position. When the right opportunity arises, we will utilise our advanced technology and management to expand the ready mixed concrete and other high value added concrete products business in other cities of the Chinese Mainland. We intend to develop our ready mixed concrete operations alongside our extensive cement distribution channels and to expand out the markets we reserve by further acquisition and building new plants.

We presently aim to expand our manufacturing capacity to over 10 million tonnes of cement and 5 million m³ of ready mixed concrete over the next three years. This compares with our current capacity of 3.3 million tonnes of cement and 3.2 million m³ of ready mixed concrete. This expansion will be achieved through both the expansion of our existing production and distribution facilities and through the acquisition of existing production lines and access to raw material reserves. The successful achievement of these goals will result the Company becoming the leading cement and concrete supplier in the Guangdong Province and Guangxi ZAR area and one of the most competitive cement and concrete providers in the Chinese Mainland.

SOCIAL RESPONSIBILITY

The Company has a social obligation to minimise the environmental impact of its operations on the communities they are located. As an example of our commitment to this, we have installed dust absorption facilities at all our production plants so that dust emissions are materially lower than those specified by the government.

In October 2003, four ministries of the Chinese government including the Ministry of Construction and Ministry of Commerce issued a joint notice banning on-site concrete batching at construction sites in 124 major cities in the Chinese Mainland effective 1 January 2004. We expect this measure will have a positive effect on the ready mixed concrete industry in the Chinese Mainland. In December 2003, the government of Dongguan issued closure orders on 47 out of the 48 cement plants in Dongguan by 2005 with 33 plants to be closed by March 2004. Our cement plant in Dongguan is the only plant that will continue to be permitted to operate due to advanced technology, strict quality control and high emission standards it has adopted on its operations.

It is expected that the Chinese government will continue to tighten environmental management standards which is likely to benefit the Company and producers who have installed appropriate emission controls.

REVIEW OF OPERATIONS

The pro forma combined turnover and pro forma combined gross profit for the year ended 31 December 2003 amounted to HK\$1,070.2 million and HK\$258.4 million respectively, representing increase of 19.0% and decrease of 3.5% respectively over the last year. The pro forma combined gross margin was 24.1%, as compared to 29.8% for the last year, attributable to the significant drop in selling price of concrete in Hong Kong and the increase in manufacturing costs for the cement business.

The pro forma combined profit from operations and net profit for the year of the Group decreased by 24.6% and 32.3% to HK\$92.7 million and HK\$49.3 million respectively. These decreases were the result of factors affecting the gross margin as stated above.

For the year ended 31 December 2003, the pro forma net cash generated from operating activities amounted to HK\$80.6 million, representing a decrease of 36.9% from HK\$127.7 million of last year.

Cement Business

The Group has successfully established a new 2,500 tonnes per day dry process rotary kiln clinker production line at Guangxi ZAR which was put into commercial operations in October 2003 in addition to our new 600 tonnes per day cement grinding factory at Zhanjiang which commenced commercial operations in May 2003. Total annual cement production capacity of the Group was then increased to approximately 3.3 million tonnes. With the commencement of operations of these new production lines and our Dongguan cement factory operating at over capacity production, total volume of cement sold in 2003 increased by 33.1% over that of last year to approximately 2.9 million tonnes. In respect of high grade cement of grade 42.5 or above, we have an aggregate market share of approximately 14% in the Guangdong Province and Guangxi ZAR area.

In 2003, our cement selling prices had been stable until the last quarter of 2003 when our selling prices in Dongguan were gradually driven up by an average of approximately 5% by the end of 2003 due to the effect of escalating selling prices from Eastern China. The pro forma combined turnover for the year was HK\$586.2 million, representing an increase of

31.6% as compared with HK\$445.4 million last year. The pro forma combined profit from operations for the year amounted to HK\$66.7 million, which is approximately 25.2% more than that of the last year.

As stated in the Prospectus, the Company entered into an option deed with China Resources (Holdings) Company Limited (“CR Holdings”) pursuant to which the Company has the right to acquire all or any part of the 73.5% interest in Guangxi China Resources Ping Nan Yu Feng Cement Company Limited held by CR Holdings at the specified price within a specified period from CR Holdings. The construction of the cement manufacturing plant for a 5,000 tonnes per day clinker production line by this joint venture has been carried out according to the original plan and it is expected that the construction will be completed by the end of this year. The Company will follow up the progress closely and decide if it should exercise the option.

We have also indicated in our Prospectus that we will spend about HK\$50 million for the expansion of our cement production capacity in Dongguan. The application is in the process of approval by the government and we expect that the construction work will commence shortly.

Concrete Business

The Hong Kong economy continued to be sluggish and there was a lack of incentive to invest in construction and infrastructure projects in 2003. The Group’s concrete business in Hong Kong had been under significant pressure throughout the year when overall demand for ready mixed concrete decreased further. Whilst we were able to maintain a proportionate market share of approximately 11% in the ready mixed concrete market of Hong Kong, our sales volume of ready mixed concrete in Hong Kong decreased by approximately 17% from approximately 780,000 m³ in 2002 to 647,000 m³ in 2003. Declining market demand and large amount of excess capacity forced concrete producers in Hong Kong including us to reduce price. A turnaround has occurred in the middle of 2003 when selling price started to recover. In 2003, the Group’s subsidiaries engaged in concrete business in Dongguan and Shenzhen produced and sold approximately 368,000 m³ of ready mixed concrete, as compared with 253,000 m³ in 2002. Concrete prices in Dongguan and Shenzhen had been steady during the year until the last quarter of 2003 when selling prices were pushed up by an average of approximately 4% due to rising cement cost.

The pro forma combined turnover and profit from operations of our concrete business for the year amounted to HK\$484.0 million and HK\$34.1 million, representing increase of 6.6% and

decrease of 49.3% respectively over the last year. This was mainly due to lower sales volume and falling selling price of ready mix concrete in Hong Kong.

On 30 July 2003, the Group acquired the remaining 50% equity interest in Redland Precast Concrete Products Limited (“Redland Precast”) from a former director of a subsidiary. Thereafter, Redland Precast became a wholly subsidiary of the Company. Redland Precast is engaged in the production of precast concrete products and glass-fibre reinforced concrete products which are substantially sold in Hong Kong. The acquisition has enabled the Group to enrich its range of products and to provide an alternative product for ready mixed concrete to customers. During 2003, Redland Precast sold a total of about 150,000 tonnes of precast concrete products in Hong Kong and was the largest precast concrete product supplier with a market share of approximately 35%. Since Redland Precast has become a subsidiary of the Group, it contributed a total turnover of HK\$68,784,000 and net profit of HK\$3,556,000 during the period up to 31 December 2003.

On 20 December 2003, the Group signed agreements with independent third parties for the acquisition of 100% equity interests in Shenzhen Wenwei Concrete Limited and Shenzhen Shengcheng Concrete Limited at a total consideration of RMB30,980,000. The acquisition was completed on 1 January 2004 and the Group’s total concrete production capacity then increased to 3.2 million m³.

Liquidity and Financial Resources

As at 31 December 2003, the Group’s cash and bank balances and pledged bank deposits totaling HK\$333.9 million (31/12/2002: HK\$260.6 million) included amounts held as follows: HK\$264.5 million and RMB73.5 million (31/12/2002: HK\$227.3 million and RMB30.7 million).

As at 31 December 2003, total bank loans of the Group, which amounted to HK\$662.4 million (31/12/2002: HK\$365.8 million), were made up of loans of US\$5.1 million, HK\$299.0 million and RMB345.0 million (31/12/2002: US\$8.0 million and RMB321.8 million). The increase in bank loans of HK\$296.6 million was mainly due to new Hong Kong dollar denominated loans, which bear interests at relatively lower rates, obtained for the acquisition of fixed assets and repayment of shareholders’ loans of subsidiaries. Bank loans totaling HK\$304,850,000 carried interests at fixed rates. Of these bank loans, total amount of HK\$392.4 million (31/12/2002: HK\$108.2 million) were secured by fixed assets of the Group and a total of HK\$77.3 million (31/12/2002: HK\$62.5 million) were unsecured but covered by guarantees provided by minority shareholders of subsidiaries on a no fee basis. The gearing ratio as at 31 December 2003 was 67.3% (31/12/2002: 38.9%).

The Group's business transactions were mainly carried out in Hong Kong dollars, Renminbi and United States dollars. It is the policy that the Group will not engage in any hedging activities other than those for the avoidance of exchange risk. As at 31 December 2003, the Group did not engage in any hedging transactions.

Charges on Assets

As at 31 December 2003, certain fixed assets of subsidiaries of the Company with an aggregate carrying value of HK\$497.1 million (31/12/2002: HK\$136.6 million) were pledged with banks for banking facilities used by these subsidiaries.

Employees

As at 31 December 2003, the Group employed a total of 2,361 full time employees of which 288 are based in Hong Kong and the remaining 2,073 are based in the Chinese Mainland. The average age of the 130 senior and middle managerial staff of the Group is about 39 years old. The Group offers its employees remuneration packages mainly on the basis of individual performance and experience and also having regard to industrial practice. The Company has established a share option scheme whereby employees of the Group may be granted options to acquire shares in the Company. Details of options granted during the year are stated in the section on Share Option Scheme in the Report of Directors included in the annual report.

PROSPECTS

As stated above, the expansion of our business will be achieved both through internal expansion and acquisition. We have identified a number of potential acquisition candidates, although no acquisition has yet been concluded. We will inform shareholders of any concrete developments in this regard. Other than the expansion of our existing facility at Dongguan and the possible acquisition of the Ping Nan Yu Feng Joint Venture as mentioned in our Prospectus, the Company will also plan for additional sites in the Chinese Mainland in the future. In January 2004, we established a wholly owned subsidiary in the Guigang city of Guangxi ZAR which we intend to invest a total of HK\$1.3 billion to build two 5,000 tonnes per day NSP lines in two stages by 2006. The construction of the first production line is expected to commence in June 2004.

The general economic sentiment and environment in Hong Kong has improved recently as shown by recent property price increases. Should the confidence in the property and infrastructure sectors continue to grow and Hong Kong economy recover, the Group's concrete

business will be able to benefit through increased orders. We are also likely at the possibility of building a number of ready mixed concrete batching plants located in major cities in the Guangxi ZAR and the PRD so that we can expand our market for ready mixed products to this region.

In order to strengthen the competitiveness of our products and to enhance the efficiency of our operations, we will streamline our organisational structure and centralise various functions of sales and marketing, procurement of raw materials, human resources management and logistic management in the near future so as to improve our overall profitability.

Looking ahead, we expect the Chinese economy and capital and infrastructure spending to continue to grow strongly this year. We are confident that the cement and concrete demand in the Chinese Mainland will remain strong in the near future which will be reflected in the Company's initialled growth and in acceptable returns being achieved for our shareholders.

CAPITAL EXPENDITURE

As stated in the Prospectus, the Group had expansion plans to the extent of approximately HK\$294.7 million for 2003 and 2004. The status of these plans are as follows:

Expansion Plan	Planned expenditure HK\$ million	Invested as at 31/12/2003 HK\$ million	Residual balance to be invested HK\$ million
Construction of a dry process cement production line, a pier and improvement works at our site in Guangxi ZAR	225.7	145.6	80.1
Expansion of cement production capacity at our site in Dongguan	50.0	–	50.0
Acquisition of additional 5% interest in our Dongguan cement business	4.8	4.8	–
Additional fixed assets used by our Dongguan concrete operations	14.2	10.5	3.7
	<u>294.7</u>	<u>160.9</u>	<u>133.8</u>

As mentioned in the preceding paragraphs, the Group spent about RMB31.0 million for the acquisition of two concrete companies in Shenzhen in January 2004. The Group also intends to invest a total of HK\$1.3 billion for building two NSP lines in Guigang city by 2006 of which an amount of approximately HK\$40.0 million has been approved by the Directors for acquisition of land.

Apart from the foregoing, the Group has no other significant planned capital expenditure as at 31 December 2003. These planned and intended capital expenditures and any other future expansion will be financed by internally generated funds, bank borrowings or new equity.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A detailed announcement of the results for the Period containing all the information required by paragraph 45(1) to 45(3) inclusive to Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be submitted for publication on the Stock Exchange's website in due course.

By Order of the Board

Qiao Shibo

Chairman

Hong Kong, 18 March 2004

Please also refer to the published version of this announcement in The Standard.