華潤水泥控股有限公司

China Resources Cement Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Codes: 712 and 2512)

2005 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2005	2004 (Restated)
Turnover *(HK$'000)*	**1,684,377**	1,438,391
Profit for the year *(HK$'000)*	**16,855**	110,335
Profit attributable to shareholders of the Company *(HK$'000)*	**12,529**	82,394
Earnings per share – basic *(HK$)*	**0.033**	0.227
Dividend per share *(HK$)*	**–**	0.05

	As at 31 December 2005	2004
Total assets *(HK$'000)*	**4,792,712**	2,353,774
Equity attributable to shareholders of the Company *(HK$'000)*	**1,269,620**	1,073,135
Net borrowings *(HK$'000)*	**2,401,880**	476,256
Net gearing ratio	**189.2%**	44.4%
Net assets attributable to shareholders of the Company per share – book value *(HK$)*	**3.32**	2.96

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 year ended 31 December 2005 which have been reviewed by the Audit Committee of the Company.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December	*Notes*	**2005** *HK$'000*	2004 (Restated) *HK$'000*
Turnover	*4*	**1,684,377**	1,438,391
Cost of sales		**(1,352,097)**	(1,063,538)
Gross profit		**332,280**	374,853
Other income		**51,760**	33,417
Gain on change in fair value of investment property		**27,212**	–
Selling and distribution expenses		**(136,875)**	(115,739)
General and administrative expenses		**(192,243)**	(155,986)
Finance costs		**(55,009)**	(21,572)
Share of result of an associate		**(5)**	(7)
Profit before taxation	*5*	**27,120**	114,966
Taxation	*6*	**(10,265)**	(4,631)
Profit for the year		**16,855**	110,335
Attributable to			
shareholders of the Company		**12,529**	82,394
minority interest		**4,326**	27,941
		16,855	110,335

	Note		
Earnings per share *(HK$)*	*7*		
– basic		**0.033**	0.227
– diluted		**N/A**	0.227
Dividend per share *(HK$)*	*8*	**–**	0.05

CONSOLIDATED BALANCE SHEET

As at 31 December	**2005**	2004 (Restated)
	HK$'000	*HK$'000*
Non-current assets		
Fixed assets	**2,850,900**	1,338,470
Prepaid lease payments	**107,591**	71,666
Investment property	**84,568**	–
Intangible assets	**120,557**	15,849
Interest in an associate	**60**	65
Other investments	**–**	2
Retention monies receivable due after one year	**–**	5,036
Deposits on acquisition of fixed assets	**342,851**	66,657
Deferred tax assets	**15,689**	10,454
	3,522,216	1,508,199
Current assets		
Stocks	**176,891**	102,424
Retention monies receivable due within one year	**16,507**	11,265
Trade receivables	**620,039**	405,497
Other receivables	**163,068**	69,198
Pledged bank deposits	**72,629**	–
Cash and bank balances	**221,362**	257,191
	1,270,496	845,575
Current liabilities		
Trade payables	**368,439**	162,807
Other payables	**294,510**	211,135
Provisions	**3,679**	3,767
Amounts due to fellow subsidiaries	**–**	448
Amounts due to minority shareholders of subsidiaries	**4,241**	2,808
Taxation payable	**1,410**	334
Loans from minority shareholders of subsidiaries	**–**	41,897
Bank loans		
Amount due within one year	**1,427,881**	502,316
	2,100,160	925,512
Net current liabilities	**(829,664)**	(79,937)
Total assets less current liabilities	**2,692,552**	1,428,262
Non-current liabilities		
Bank loans		
Amount due after one year	**557,981**	189,234
Provisions	**49,897**	53,951
Convertible bonds	**710,009**	–
Deferred tax liabilities	**60,534**	41,181
	1,378,421	284,366
Net assets	**1,314,131**	1,143,896

Capital and reserves		
Share capital	**38,186**	36,281
Reserves	**1,231,434**	1,036,854
Equity attributable to shareholders of the Company	**1,269,620**	1,073,135
Minority interests	**44,511**	70,761
Total equity	**1,314,131**	1,143,896

NOTES:

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention except for investment property which is measured at fair value and in accordance with accounting principles generally accepted in Hong Kong.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKAS(s)") issued by Hong Kong Institute of Certified Public Accountants that are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated profit and loss account, consolidated balance sheet and the consolidated statement of changes in equity.

The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented.

(a) Owner-occupied leasehold land

In previous years, owner-occupied leasehold land and buildings were included in fixed assets and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is treated as a finance lease. The adoption of this standard has had no material effect on how the results for the current or prior accounting years are prepared and presented.

(b) Goodwill

In accordance with HKFRS 3 "Business Combinations", goodwill arising on acquisitions is recognised as an asset and reviewed for impairment at least annually or more frequently if there are indications that the carrying value may not be recoverable. Any impairment is recognised immediately in the consolidated profit and loss account and is not subsequently reversed. HKFRS 3 requires that, after reassessment, any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognised immediately in the consolidated profit and loss account. HKFRS 3 prohibits the recognition of discount on acquisition in the balance sheet.

Goodwill arising from acquisitions prior to 1 January 2005 was amortised over its estimated useful life in previous years. The Group discontinued the amortisation of such goodwill on 31 December 2004 and the related accumulated amortisation of HK$8,175,000 was eliminated against the cost of goodwill at 1 January 2005.

Discount on acquisition arising on acquisitions before the date of adoption of the new standard is derecognised and the unamortised balance of HK$39,132,000 is adjusted to the opening balance of retained profits as at 1 January 2005. This change in accounting policy has not been applied retrospectively.

On disposal of a subsidiary or an associate, the profit and loss is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill.

In the current year, the Group has also applied HKAS 21 "The Effects of Changes in Foreign Exchange Rates" which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1 January 2005 is treated as a non-monetary foreign currency item of the Group. Therefore, no prior year adjustment has been made.

(c) Share-based payment

The Group has granted share options to certain participants to subscribe for shares of the Company in accordance with the Company's share option scheme. Prior to 1 January 2005, the Group did not recognise the financial effect of the share options until the share options were exercised.

Under HKFRS 2 "Share-based Payment", the share options granted are classified as equity-settled share-based payments which are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured using the Black-Scholes model.

In accordance with the transitional provisions of HKFRS 2, the standard has been applied retrospectively to all grants of shares options that remained unvested as of 1 January 2005. The change in policy has resulted in a decrease of HK$5,184,000 in net profits in the current year (1/1/2004 to 31/12/2004: HK$6,262,000), a decrease of HK$6,262,000 in retained profits at 31 December 2004 (31/12/2003: Nil) and an increase of HK$6,262,000 in share-based compensation reserve at 31 December 2004 (31/12/2003: Nil).

(d) Investment property

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment property which requires gains or losses arising from changes in the fair value of investment property to be recognised directly in the profit and loss account for the year in which they arise.

The deferred tax consequences of the investment property are assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover from the property at each balance sheet date.

(e) Financial instruments

The adoption of HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement" has resulted in a change in the accounting policy relating to the classification of financial assets and liabilities and their measurements.

Under the new accounting standards, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" are carried at fair value, with changes in fair values recognised in the profit and loss account. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method. "Available-for-sale financial assets" are carried at fair value with changes in fair value recognised in equity except for investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be measured reliably and are stated at cost less impairment.

Financial liabilities are classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

In accordance with HKAS 32 "Financial Instruments: Disclosure and Presentation", convertible bonds are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Company, is included in equity. In subsequent years, the liability component is carried at amortised cost using the effective interest method. The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument.

3. EFFECTS OF THE ADOPTION OF NEW ACCOUNTING POLICIES

The effects of the adoption of new accounting policies described in Note 2 above on profit for the year are as follows:

	Year ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
Decrease in other income		
Decrease in discount on acquisition released	**(10,024)**	–
Gain on change in fair value of investment property	**27,212**	–
Decrease (increase) in general and administration expenses		
Expenses recognised in respect of share options granted	**(5,184)**	(6,262)
Decrease in amortisation of goodwill	**13,821**	–
Increase in finance costs		
Interest on the liability component of convertible bonds	**(20,020)**	–
Decrease (increase) in taxation		
Decrease in deferred tax liabilities relating to interest on the liability component of convertible bonds	**3,503**	–
Increase in deferred tax liabilities relating to gain on change in fair value of investment property	**(8,980)**	–
Increase (decrease) in profit for the year	**328**	(6,262)

4. TURNOVER AND SEGMENT INFORMATION

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

For the year ended 31 December 2005

	Cement HK$'000	Concrete HK$'000	Precast Products HK$'000	Elimination HK$'000	Consolidated HK$'000
Turnover					
External sales	**813,456**	**672,859**	**198,062**	**–**	**1,684,377**
Inter-segment sales	**130,956**	**64**	**–**	**(131,020)**	**–**
	944,412	**672,923**	**198,062**	**(131,020)**	**1,684,377**

Inter-segment sales are charged at prevailing market prices.

	Cement HK$'000	Concrete HK$'000	Precast Products HK$'000	Elimination HK$'000	Consolidated HK$'000
Results					
Segment results	**66,444**	**42,944**	**(33,938)**	**–**	**75,450**
Interest income					**6,331**
Gain on change in fair value of investment property					**27,212**
Unallocated corporate expenses					**(26,859)**
Finance costs					**(55,009)**
Share of result of an associate	**–**	**(5)**	**–**	**–**	**(5)**
Profit before taxation					**27,120**
Taxation					**(10,265)**
Profit for the year					**16,855**

For the year ended 31 December 2004 (Restated)

	Cement HK$'000	Concrete HK$'000	Precast Products HK$'000	Elimination HK$'000	Consolidated HK$'000
Turnover					
External sales	724,453	499,910	214,028	–	1,438,391
Inter-segment sales	113,894	265	–	(114,159)	–
	838,347	500,175	214,028	(114,159)	1,438,391

Inter-segment sales are charged at prevailing market prices.

	Cement HK$'000	Concrete HK$'000	Precast Products HK$'000	Elimination HK$'000	Consolidated HK$'000
Results					
Segment results	129,651	31,750	(1,114)	–	160,287
Interest income					975
Unallocated corporate expenses					(24,717)
Finance costs					(21,572)
Share of result of an associate	–	(7)	–	–	(7)
Profit before taxation					114,966
Taxation					(4,631)
Profit for the year					110,335

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

	2005 *HK$'000*	2004 *HK$'000*
Segment turnover		
Chinese Mainland	**1,265,752**	926,777
Hong Kong	**418,625**	511,614
	1,684,377	1,438,391

5. PROFIT BEFORE TAXATION

	2005	2004
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Depreciation and amortisation	**131,835**	100,678
Exchange gain	**(19,805)**	(4,158)
Release of discount on acquisition to income	**–**	(7,880)

6. TAXATION

	2005	2004
	HK$'000	*HK$'000*
Current taxation		
Hong Kong Profits Tax	**5,963**	5,227
Chinese Mainland Enterprise Income Tax	**2,105**	(278)
	8,068	4,949
Deferred taxation		
Hong Kong	**(13,204)**	(4,353)
Chinese Mainland	**15,401**	4,035
	2,197	(318)
	10,265	4,631

7. EARNINGS PER SHARE

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

	2005	2004 (Restated)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to shareholders of the Company for the purpose of calculating basic and diluted earnings per share	**12,529**	82,394
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of calculating basic earnings per share	**379,039**	362,807
Effect on dilutive potential shares on share options	**N/A**	612
Weighted average number of shares for the purpose of calculating diluted earnings per share	**N/A**	363,419

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise prices of those options are higher than the average market prices of shares for 2005. The computation of diluted earnings per share does not assume the conversion of the Company's convertible bonds since their exercise would result in an increase in earnings per share.

8. DIVIDEND

No dividend has been declared for the year. The Board does not recommend the payment of a dividend for the year.

THE BUSINESS ENVIRONMENT

The Chinese Government continued its austerity economic policies in 2005 and the year-on-year growth rates of Gross Domestic Products ("GDP") and Fixed Assets Investment ("FAI") were 9.9% and 25.7%, which were about 0.2 and 0.9 percentage points lower than those of 2004 respectively.

The year-on-year GDP and FAI growth rates in Guangdong were approximately 12.5% and 16.3% in 2005, down by 1.7 and 3.6 percentage points respectively as compared with those of 2004. The year-on-year GDP and FAI growth rates in Guangxi were approximately 12.5% and 40.5%, which were 1.2 and 13.4 percentage points higher than those of 2004 respectively.

Due to the tight supply, the average coal and gas prices in the Chinese Mainland increased by approximately 7.0% and 20.2% respectively in December 2005 as compared with those one year ago.

THE INDUSTRY

Total cement production in the Chinese Mainland is expected to reach 1.06 billion tonnes in 2005, representing an increase of approximately 9.3% as compared with that of 2004. In Guangdong and Guangxi, total cement produced in 2005 is estimated to be approximately 135 million tonnes, representing an increase of approximately 10% as compared with that of 2004.

About 111 New Suspension Preheater ("NSP") clinker production lines with an aggregate annual clinker production capacity of approximately 100 million tonnes were built in 2005. At the end of 2005, total NSP clinker production capacity in the Chinese Mainland reached 429 million tonnes (equivalent to approximately 520 million tonnes of cement). NSP cement as a percentage of total production is expected to reach 45% in 2005.

During 2005, 14 NSP clinker production lines were completed in Guangdong and Guangxi, adding total cement production capacity of approximately 20 million tonnes a year. At the end of 2005, total NSP clinker annual production capacity in Guangdong and Guangxi combined reached 35 million tonnes (equivalent to approximately 42 million tonnes of cement).

The new emission standards for cement production in the Chinese Mainland that unify emission requirements to various cement manufacturing technologies has become effective on 1 January 2005 and the grace period will end on 1 July 2006. It will significantly undermine the competitiveness of vertical kilns.

STRATEGIC OBJECTIVES

The Company will stick to its cement business strategy of "two points, one stroke" and establish a leading position in the cement and concrete industry in Southern China by adopting the "low-cost" competitive strategy to improve overall cost efficiency through economies of scale. The Group will develop through both horizontal expansion and vertical integration to provide a complete range of products to meet various customer needs and plans to expand its annual cement and concrete production capacities to over 15 million tonnes and 10 million m^3 respectively in three years.

The Company's cement and NSP cement market shares in the region were approximately 3% and 12% respectively in 2005 and are planned to be increased to 10% and 20% respectively in three years.

In the next two years, the Company will prioritise its resources to develop cement sales and will enhance our marketing capability including the establishment of cement silo terminals, logistics and transportation, and cement retail networks. The Company is expanding its cement capacity through organic growth and may pursue external expansion through acquisitions. The Company will also focus on developing its concrete and precast operations to capitalise on emerging market opportunities in the region.

SOCIAL RESPONSIBILITY

The Chinese Government is actively promoting "cyclic economy" as characterised by the reduction, re-use, and recycle of natural resources and protection of natural environment. Energy conserving, waste reduction, use of industry waste and alternative fuel, and power generation using waste heat (from the kiln) mark the new directions of cement manufacturing technology.

The Company is cautious of its social responsibilities, particularly environmental protection issues such as waste reduction, use of industry waste for production, and site restoration. Advanced environmental protection equipments are installed at all the Group's production facilities. Industrial waste such as slag and fly ash is extensively used in the Company's production process. The Group has commenced energy re-use program and will install facilities for the re-use of waste heat generated during the production process with a view to re-using of natural resources and saving energy.

The Group will endeavor to work closely with local governments and residents for the peaceful and harmonious environment and livings. In June 2005, Guangxi was hit by one of the largest floods in a century. The Group's local management and staff had actively participated in the local community's effort to fight against floods and minimise their impact on the community. A number of donations inside our factories were organised to assist the poor domestic households hit by flood disasters.

REVIEW OF OPERATIONS

The consolidated turnover and consolidated gross profit for the year ended 31 December 2005 amounted to HK$1,684.4 million and HK$332.3 million, representing increase of 17.1% and decrease of 11.4% over HK$1,438.4 million and HK$374.9 million respectively for the last year. The consolidated gross margin was 19.7%, as compared to 26.1% for the last year, attributable primarily to the significant increase in production costs and the decrease in general selling prices.

The profit attributable to shareholders of the Company for the year was HK$12.5 million, representing a decrease of 84.8% from HK$82.4 million for the last year.

For the year ended 31 December 2005, the consolidated net cash generated from operating activities amounted to HK$9.4 million, representing a decrease of 94.1% from HK$160.6 million for the last year.

Cement Business

During the year, the Group sold a total of 3.4 million tonnes of cement products to outside customers, representing an increase of 11.1% over that of the last year. Approximately 89.3% and 10.7% of our products are delivered in bulk and in bag, compared with 92.9% and 7.1% respectively of the last year and 81.6% of which are Grade 42.5 and above (2004: 87.9%).

The market prices of cement in the Chinese Mainland were volatile in 2005. The average selling prices of our cement products remained stable in the first half of year 2005, but have dropped in the second half of 2005 as a result of intensified market competition due to the release of more new production capacity into our target markets, which has led to a drop of 4.8% in the average selling price of our cement products for 2005 as compared with 2004.

Coal prices have increased significantly since the second half of 2004 and remained steady at high level throughout 2005, resulting from increase in demand for coal and higher coal transportation costs in response to high oil prices and the government's effort to combat over-loading. On a year to year basis, the Group's coal purchase price increased by an average of approximately 28.5% during 2005. Coupled with other production cost increases, our cement production cost in respect of production lines existing at the beginning of 2005 increased by approximately 7.8% in 2005 compared with 2004. For the year ended 31 December 2005, total coal costs represented approximately 41% of our total cement production costs, an increase of 2 percentage points compared with that of 2004.

As a result of significant cost increases, our wet process clinker production lines, which are not as cost efficient as the NSP clinker production lines, have been operating intermittently according to demand. During 2005, our NSP clinker production lines operated at full capacity.

The consolidated turnover of cement business for the year was HK$813.5 million, representing an increase of 12.3% as compared with HK$724.5 million last year. The consolidated profit from cement operations for the year amounted to HK$66.4 million, which is approximately 48.8% less than HK$129.7 million for the last year.

On 13 January 2005, the Group completed the acquisition of 73.5% interest in China Resources Cement (Pingnan) Limited (formerly Guangxi Pingnan China Resources Yufeng Cement Company Limited) ("CR Pingnan Cement") and the related shareholder's loans from China Resources (Holdings) Company Limited ("CR Holdings") at the aggregate consideration of approximately HK$151.7 million. The production line of the CR Pingnan Cement has been in normal operations since July 2005 after its completion in October 2004.

On 23 February 2005, the Group completed the acquisition of the remaining 25% equity interest in China Resources Dongguan Cement Manufactory Holdings Limited which holds 100% interests in our Dongguan cement plant. Details of the acquisition were as described in our circular to shareholders on 7 February 2005.

In May 2005, the construction of the Group's new production line with an annual production capacity of 500,000 tonnes of slag powder at our Dongguan cement plant was completed. The establishment of this production line has enabled the Group to expand its product mix and provide customers with opportunities to lower their cost through the use of new products.

The construction of a new 5,000 tonnes per day NSP clinker production line at our Guigang cement plant and a new 3,200 tonnes per day NSP clinker production line at our Hongshuihe cement plant in Guangxi were completed in December 2005 and January 2006 respectively.

At 31 December 2005, the Group possessed NSP clinker annual production capacity of 3.9 million and cement grinding capacity of 7.7 million tonnes. It is anticipated that the new 5,000 tonnes per day NSP clinker production line at CR Pingnan Cement will be completed in the second quarter of 2006. When this construction project is completed, the Group will possess NSP clinker production lines with annual production capacity of 6.4 million tonnes and cement annual grinding production capacity of approximately 9.6 million tonnes.

In order to fully utilised our land, pier and limestone resources, the Company has commenced the construction of an additional 5,000 tonnes per day NSP clinker production line at Guigang, Guangxi which is expected to be completed by the third quarter of 2006. By then, the Group's NSP clinker production capacity and cement grinding capacity will be 8.0 million and 11.4 million tonnes per annum respectively.

Our cement manufacturing plants at Pingnan and Guigang are all equipped with piers for logistic movement of raw materials and cement products along Xijiang River. To ensure that our assets are deployed efficiently, the pier which was under construction at Qinzhou, Guangxi has no longer served its originally intended usage for our own logistic operations and has been re-designated as investment property for rental income and capital appreciation during the year.

Concrete Business

The Hong Kong economy appears to have improved slightly during 2005 but its effect on the construction industry has not yet been significant. Overall demand for ready mixed concrete in Hong Kong decreased further in 2005. Although we managed to maintain a proportionate market share of approximately 11% in the ready mixed concrete market of Hong Kong and concrete market selling price has been recovering, our total concrete sales (including mortars and other concrete products) in Hong Kong was 491,000 m^3, representing a decrease of 17.6% from 596,000 m^3 of 2004. In 2005, the Group's subsidiaries engaged in concrete business in the Chinese Mainland produced and sold approximately 1,973,000 m^3 of ready mixed concrete, as compared with 1,003,000 m^3 in 2004. Our concrete prices in the Chinese Mainland dropped by approximately 6.1% during the year.

The consolidated turnover and profit from operations of our concrete business, excluding our precast concrete business, for the year amounted to HK$672.9 million and HK$42.9 million, representing increases of 34.6% and 34.9% from HK$499.9 million and HK$31.8 million respectively for the last year.

As at 31 December 2005, the Group's total annual concrete production capacity in Hong Kong and in the Chinese Mainland was approximately 1.5 million m^3 and 2.9 million m^3 respectively.

In order to expand our market share of ready mixed concrete in the Chinese Mainland, the Group has established three subsidiaries in Xixiangtang of Nanning and Beihai of Guangxi, and in Foshan of Guangdong for the purpose of building new concrete batching plants in these areas. It is expected that annual production capacity of 1.6 million m^3 in total will be set up and put into operations from April to September 2006 in these areas.

Precast Products Business

During 2005, our Precast Products Business manufactured a total of 242,000 tonnes of precast concrete products. This represents an increase of 18.1% over 2004 and the business remains as the largest precast concrete product supplier in Hong Kong with a market share of approximately 35%. Total turnover amounted to approximately HK$198.1 million during the year, representing a decrease of 7.4% from HK$214.0 million for the last year.

The production and delivery schedules of precast products are relatively long. Most orders completed in the year were confirmed in 2003. Production and transportation cost increases in the last two years, caused by the continuing increase in the price of steel and oil, have had a significant impact on the Precast Products Business. This has resulted in a total loss attributable to shareholders of the Company of HK$33.9 million from the Group's precast business during the year, as compared with HK$1.1 million loss for the last year.

As at 31 December 2005, our Precast Products Business had backlog orders with value of approximately HK$221.1 million of which approximately HK$130.0 million and HK$88.9 million are related to projects in Macau and Hong Kong respectively. These contracts were substantially awarded during 2005 and it is expected that these orders with values of HK$183.4 million and HK$37.7 million will be delivered in 2006 and 2007 respectively.

Liquidity and Financial Resources

On 13 January 2005, the Group issued HK$800.0 million zero coupon convertible bonds due 2010 guaranteed by and convertible into 400.0 million shares of the Company at the initial conversion price of HK$2.00 per share (the "Bonds") for cash to Firstsuccess Investments Limited, a wholly owned subsidiary of CR Holdings. The Bonds have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 2 March 2005. At 31 December 2005, a total of HK$112,000 of the Bonds has been converted into 56,000 shares of the Company.

As at 31 December 2005, the Group's cash and bank balances totaling HK$221.4 million (31/12/2004: HK$257.2 million) included amounts held as follows: HK$59.3 million and RMB168.0 million (31/12/2004: HK$133.8 million and RMB131.3 million).

At 31 December 2005, the Group has total banking facility from certain banks to the extent of HK$3,143.8 million and total amount of HK$1,081.2 million remains unused and is available for draw down. Under the terms of certain agreements for total banking facility of HK$1.1 billion, CR Holdings, the Company's holding company is required to hold not less than 51% of the voting share capital in the Company.

As at 31 December 2005, total bank loans of the Group, which amounted to HK$1,985.9 million (31/12/2004: HK$691.6 million), comprised loans of HK$726.7 million and RMB1,310.3 million (31/12/2004: US$2.2 million, HK$379.5 million and RMB314.0 million). Bank loans totaling HK$528.8 million (31/12/2004: HK$168.1 million) carried interests at fixed rates. Of these bank loans, total amount of HK$244.4 million was secured by assets of the Group (31/12/2004: HK$282.7 million secured by assets of the Group and HK$45.2 million was unsecured but covered by guarantees provided by minority shareholders of subsidiaries on a no fee basis). The gearing ratio as at 31 December 2005 was 212.3% (31/12/2004: 68.3%).

The Group's business transactions were mainly carried out in Hong Kong dollars, Renminbi and United States dollars and given the linkage between these currencies, its exposure to exchange risk is insignificant. It is the policy that the Group will not engage in any speculative activities. As at 31 December 2005, the Group did not engage in any hedging transactions.

Charges on Assets

As at 31 December 2005, certain fixed assets of subsidiaries of the Company with an aggregate carrying value of HK$351.2 million (31/12/2004: HK$532.3 million) were pledged with banks for banking facilities used by these subsidiaries.

Employees

As at 31 December 2005, the Group employed a total of 4,757 (31/12/2004: 3,070) full time employees of which 230 (31/12/2004: 263) are based in Hong Kong and the remaining 4,527 (31/12/2004: 2,807) are based in the Chinese Mainland. The average age of the 293 (31/12/2004: 184) senior and middle managerial staff of the Group is about 38 (31/12/2004: 38) years. 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.

CAPITAL EXPENDITURE

The residual balance of the Group's expansion plans to be invested at 31 December 2004 as stated in the Annual Report for 2004 was approximately HK$836.6 million. The status of these plans and other planned capital expenditure at 31 December 2005 are as follows:

Expansion plan stated in Annual Report 2004	Balance to be invested at 31/12/2004 *HK$ million*	Authorised (cancelled) during the year *HK$ million*	Invested during the year *HK$ million*	**Balance to be invested at 31/12/2005** ***HK$ million***
Construction of a dry process cement production line, a pier and improvement works in Guangxi	36.9	(36.8)	0.1	**–**
Expansion of cement production capacity at our site in Dongguan	56.3	9.4	65.7	**–**
Construction of two NSP cement production lines at Guigang, Guangxi	572.0	384.4	632.4	**324.0**
Acquisition of CR Pingnan Cement	151.7	–	151.7	**–**
Construction of a 5,000 tonnes per day NSP clinker production line at Pingnan, Guangxi	–	497.7	377.5	**120.2**
Construction of a 3,200 tonnes per day NSP clinker production line at Hongshuihe cement plant in Guangxi	–	216.0	136.8	**79.2**
Waste heat generation facilities	–	86.5	0.2	**86.3**
	816.9	1,157.2	1,364.4	**609.7**
Other capital expenditure contracted but not provided for	19.7	257.8	113.9	**163.6**
	836.6	1,415.0	1,478.3	**773.3**

Apart from the foregoing, the Group has no other significant planned capital expenditure as at 31 December 2005. These planned and intended capital expenditures and any other future expansion will be financed by internally generated funds, borrowings, introduction of strategic investors or new equity.

PROSPECTS

The year 2006 is the first year of China's "11th Five-Year Social and Economic Development Plan". GDP and FAI are expected to grow at average annual rates of approximately 8% and 20% in the Chinese Mainland, 9% and 10% in Guangdong and 10% and 16% in Guangxi respectively. The cement industry in the Chinese Mainland will continue to grow in the next five years in terms of NSP cement capacity and total production.

According to the 11th Five Year Plan, total cement production in the Chinese Mainland is targeted at 1.25 billion tonnes in 2010, at least 50 million tonnes of vertical kiln cement production capacity will be eliminated in each of the next five years and NSP cement will represent 70% (about 875 million tonnes) of total cement production capacity. On this basis, about 72 million tonnes of NSP cement production capacity on average shall be completed in each of the next five years in the Chinese Mainland, equivalent to 48 sets of 4,000 tonnes per day clinker production lines per year. In Guangdong and Guangxi, about 15 sets of NSP clinker production lines are under construction and are expected to be completed by the end of 2007. By then, the annual cement production capacity in the area will be increased by approximately 23 million tonnes.

It is the policy of the Chinese Government to encourage the investment in NSP clinker production lines with minimum daily capacity of 4,000 tonnes. The central government is aiming at creating an energy-efficient society by reducing energy consumption by 20% for each unit of GDP by 2010. Notwithstanding all these government plans and policies which will require certain time and procedures for their implementation, the oversupply of cement will not be fully altered in the near future. However, the phase out of vertical kiln cement will be commercially inevitable primarily due to the competitive advantages of NSP cement production lines such as better quality, lower energy consumption, being more environmentally friendly, government policy, and economies of scale. Industry consolidation will accelerate as multi-national cement producers increase their presence in the Chinese Mainland and more large scale NSP cement production lines are completed.

As a result of heavy investments in coal production capacity in the Chinese Mainland during the recent years, the tight coal supply position has been relieved. It is estimated that coal supply and demand in the Chinese Mainland in 2006 will be 2.26 billion and 2.25 billion tonnes respectively. Coal price is not expected to increase significantly in the next couple of years.

The Chinese Government has banned on-site concrete batching in all the provincial and regional governed cities across the Chinese Mainland commencing 1 January 2006. The concrete industry in the Chinese Mainland will experience a period of rapid growth in the next few years.

With the gradual completion of construction and commencement of operations of the Group's NSP clinker production lines, the competitiveness of the Company in the marketplace has been strengthened. After the vigorous development in the past years, the quality of the Company's assets have continued to improve and the Company's production capacities have been enhanced. With our market influences continue to increase, the Group will be able to enjoy more benefits through development.

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") except:

Code provision A.4.1 of Appendix 14 to the Listing Rules requires that non-executive directors should be appointed for a specific term and should be subject to re-election. The non-executive directors of the Company have no set term of office but retire from office on a rotational basis at least once every three years. Amendment to the Articles of Association of the Company was approved by the shareholders at the annual general meeting of the Company held on 7 April 2005 whereby every director of the Company shall be subject to retirement by rotation at least once every three years. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

The Chairman missed the 2005 annual general meeting of the Company because of a business trip outside Hong Kong.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company or any subsidiary during the year.

By Order of the Board
Shi Shanbo
Director

Hong Kong, 10 March 2006

As at the date of this announcement, the Board comprises eleven directors, of which six are executive directors, namely Mr. Qiao Shibo, Mr. Shi Shanbo, Ms. Zhou Junqing, Mr. Zhou Longshan, Ms. Sun Mingquan and Mr. Zheng Yi; two are non-executive directors, namely Mr. Jiang Wei and Mr. Keung Chi Wang, Ralph and three are independent non-executive directors, namely Mr. Chan Mo Po, Paul, Mr. Lin Zongshou and Mr. Lui Pui Kee, Francis.

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