



Model of the current phase of Rui Hong Xin Cheng: SOCAM will start pre-sale for the first batch of approximately 800 units in the third quarter of 2003

QUALITY HOUSING DEVELOPMENT IN THE CHINESE MAINLAND

Rui Hong Xin Cheng (RHXC)

RHXC is located in the Hongkou district of Shanghai – the city which has been the driving force of growth in the Yangtze Basin in the Chinese Mainland. This quality housing development, close to the Bund and the central business district, was transferred to SOCAM from the privately held Shui On Properties Limited with the unanimous approval by the minority shareholders at a special general meeting held in June 2001. The attractiveness of RHXC, situated on top of a metro station which is scheduled for opening at the end of 2003, will be further enhanced by the recent launch of a major 3.5-square-kilometre urban renewal plan for the nearby North Bund of Hongkou. Under SOCAM, the whole development will offer more than 14,000 residential units with a total gross floor area of approximately 1.15 million square metres. Together with 350,000 square metres of commercial arcade, offices and schools, the development will be completed in phases.

The development of the current phase of RHXC under SOCAM is progressing well. Designs for the 1,700 units in 13 residential blocks as well as the 30,000-square-metre

commercial area were approved by government authorities in April 2002. Piling work has commenced and construction of the superstructure will begin in around September 2002. A pre-sale for the first batch of approximately 800 units, targeted at the younger and educated middle-class buyers, will be launched in the third quarter of 2003. To seize the opportunities offered by a fast developing residential market in Shanghai, SOCAM is considering accelerating the project's pace of development by including an additional lot of land for development under the current phase. To secure anchor tenants for the commercial space, active negotiations are being held with renowned international retailers.

As the most economically vibrant city in the Chinese Mainland, Shanghai will rapidly develop into an international financial and commercial metropolis, with both the economy and the purchasing power of Shanghai residents expected to advance quickly. The property market is anticipated to improve and RHXC should provide a steady stream of income for SOCAM in the years to come.

CEMENT OPERATIONS IN THE CHINESE MAINLAND

Your Group's investment in the central and western provinces in the Mainland would benefit from the Central Government's 'Go West' policy. The injection of large funds from the Central government is designed to elevate the economies of these areas to a level closer to those of the affluent coastal cities. The favourable investment environment – and the resultant increase in the demand for high grade cement – prompted the Group to speed up its strategic acquisition of more cement plants. Our operations in Chongqing and Guizhou have gained momentum and gross annual production capacity will reach approximately 6 million tonnes by the end of the 2002-2003 financial year.



The two batching plants of Ken On in Guangzhou registered an 86% increase in output

Chongqing, the biggest city in the world with a population of over 30 million, will be developed into a leading industrial, commercial and economic centre in the western region. Our operations in Guizhou will continue to benefit from the construction of both extensive infrastructure projects and numerous hydro-electrical power plant and energy projects. The Central Government's directive to close down small, polluting and inefficient cement plants has gathered pace and our operations will benefit as the consumption of high grade cement increases. With your Group's presence firmly established in Chongqing and Guizhou, we have plans to become one of the top cement groups in the Mainland, with an annual production capacity of more than ten million tonnes.

Chongqing Operation

Following the acquisition of 80 percent of the Diwei Cement Group – the largest cement plant in Chongqing – TH Cement has successfully integrated production, sales and other functions with the original Hechuan operation and thus generated cost savings. The upgrading of an existing kiln has been completed and the Diwei plant alone now has the capacity of more than 2.5 million tonnes of annual production. The proven successful formula of making environmentally friendly fly-ash cement, and thus taking

advantage of government tax incentives, has also been applied to Diwei's production. Diwei's products now mostly cater to central Chongqing. With the Hechuan operation in the second year of one million tonnes of production, the marketing team will concentrate on building up market share in the central and northern parts of Sichuan.

In May 2002, TH Cement further advanced its position as the largest producer of high grade cement in Chongqing and the central and western region. A preliminary agreement was signed to acquire Qujiang Cement, a reputable factory with a capacity of one million tonnes located in the northern Sichuan area adjoining Chongqing. TH Cement now controls three of the four largest cement producers in and around Chongqing and has approximately 80 percent of the high grade cement market there. The construction of a number of grinding mills is in planning and their completion will extend the radius of sales, preparing the TH Group for rapid expansion to other important markets nearby.

Guizhou Operation

The Central Government continues to invest heavily in Guizhou, which, although one of the poorest provinces in the Mainland, is blessed with abundant coal and energy resources. Expenditure on infrastructure projects and power plants exceeded Rmb 50 billion in 2001, achieving a year-on-year growth rate among the highest of all Central and Western provinces.

An important foothold has been established in Zunyi, the second largest city in northern Guizhou, as well as Qiandongnan and Qianxinan, respectively the south-eastern and south-western autonomous prefectures. Products in the