

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2002  
(All amounts in RMB thousands unless otherwise stated)

## 1. SALES, NET

Sales comprised:

	2002	2001
Gross sales (excluding VAT), less discounts and returns	2,999,776	2,058,349
Less: surtaxes	(19,345)	(14,360)
	<b>2,980,431</b>	2,043,989

The Group is subject to the following surtaxes, which are recorded as deductions from gross sales:

- City Development Tax, levied at five to seven per cent. of net VAT payable.
- Education Supplementary Tax, levied at three per cent. of net VAT payable.

## 2. FINANCE COSTS, NET

	2002	2001
Interest expenses		
— on bank borrowings repayable within five years	138,108	124,665
— on bank borrowings repayable more than five years	804	2,913
	<b>138,912</b>	127,578
Less: Amounts capitalised in construction-in-progress (Note 27(c))	(28,096)	(10,894)
Interest expense (Note 27(a))	110,816	116,684
Interest income (Note 27(a))	(6,413)	(3,799)
Net foreign exchange gain	(9,774)	(2,512)
	<b>94,629</b>	110,373

## Notes to the Consolidated Financial Statements

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(All amounts in RMB thousands unless otherwise stated)

### 3. SUBSIDY INCOME

	2002	2001
Turnover tax refund (a)	6,816	—
VAT refund (b)	25,065	14,542
Interest subsidy (c)	4,732	6,750
Local government grants (d)	6,471	2,900
	<b>43,084</b>	24,192

- (a) Pursuant to Cai Qi [2002] No. 368 issued by State Administration of Taxation and Ministry of Finance in September 2002, the Company is entitled to the refund of turnover taxes for repayment of foreign currency borrowings by the Group before 31 December 1994.
- (b) Pursuant to relevant tax regulation, the Company is entitled to the refund of VAT for sales of PC 32.5 Cement.
- (c) Local governments grants certain interest subsidy as an encouragement to the enterprises' technical innovation and improvements.
- (d) The Company enjoys certain local government subsidies as a support to the enterprises' development and expansion, at an discretionary amount determined by local government.

## Notes to the Consolidated Financial Statements

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### 4 PROFIT BEFORE TAX AND MINORITY INTERESTS

Profit before tax and minority interests in the consolidated income statements was determined after charging the following items:

	2002	2001
Staff costs		
— salaries, bonus and wages	133,641	81,655
— provision for staff welfare fund	9,855	11,971
— contribution to pension scheme	14,141	13,444
	<b>157,637</b>	107,070
Depreciation of property, plant and equipment (Note 27(a))	276,254	223,469
Amortisation of leasehold land (Note 27(a))	9,170	5,956
Amortisation of intangible assets (in “Administrative expense” item of the income statement) (Note 27(a))	9,708	9,552
Loss on disposals of property, plant and equipment (Note 27(a))	19,167	180
Cost of inventories	1,611,939	1,117,362
Trade receivables — impairment charge for bad and doubtful debts (Note 27(a))	3,436	8,056
Inventory — impairment charge for obsolescent inventory (Note 27(a))	4,861	2,138
Trading investments		
— fair value adjustment (Note 27(a))	(4,053)	—
— loss/(profit) on sale (Note 27(a))	5,267	(4,867)
Auditor’s remuneration	1,961	1,961

### 5 ENTERPRISE INCOME TAX

(1) Income tax expense in the consolidated income statements comprised:

	2002	2001
Income tax expense (Note 27(a))		
— Current	172,342	99,335
— Financial refund	—	(48,899)
	<b>172,342</b>	50,436

## Notes to the Consolidated Financial Statements

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(All amounts in RMB thousands unless otherwise stated)

### 5 ENTERPRISE INCOME TAX (Continued)

(2) The reconciliation of the applicable tax rate to the effective tax rate is as follows:

	2002		2001	
Accounting profit before tax and minority interests	<b>549,231</b>	<b>100%</b>	320,471	100%
Tax at the effective tax rate of 33% (2001: 15%)	<b>181,246</b>	<b>33%</b>	48,071	15%
Effect of different tax rates of subsidiaries	<b>(6,213)</b>	<b>(1.1%)</b>	3,075	1.0%
Effect of subsidiaries' tax losses	<b>6,151</b>	<b>1.1%</b>	1,042	0.3%
Tax effect of expenses that are not deductible in determining taxable profit	<b>4,233</b>	<b>0.8%</b>	1,933	0.6%
Tax effect of income that are not taxable in determining taxable profit	<b>(2,602)</b>	<b>(0.5%)</b>	(839)	(0.3%)
Utilisation of tax losses carried forward	—	—	(2,846)	(0.9%)
Income tax exemption granted to subsidiaries	<b>(10,473)</b>	<b>(1.9%)</b>	—	—
Income tax expense	<b>172,342</b>	<b>31.4%</b>	50,436	15.7%

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 Plant), which is a sino-foreign equity joint venture and entitled to full exemption from EIT for the first two years and 50% 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 Hailuo Plant in the Tax Holidays, the applicable EIT rate was 15 per cent. In 2000, Hailuo Plant was recognised as advanced technology enterprise with foreign investment, Hence according to the tax regulations, Hailuo Plant was granted to 50% reduction for another three years after the Tax Holidays expired. Therefore the applicable EIT rate in 2002 remains at 15 per cent.

Pursuant to relevant documents issued by Anhui Finance Bureau, the Company was granted financial refunds equal to 18 per cent. of the Company's taxable income in respect of EIT paid commenced from 1 January 1998. Hence the Company is entitled to an effective EIT rate of 15 per cent. Pursuant to Cai Shui [2000] No.99 issued in October 2000, the above preferential tax treatment remained effective until 31 December 2001.

# Notes to the Consolidated Financial Statements

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## 5 ENTERPRISE INCOME TAX (Continued)

As confirmed by the Anhui Tax Bureau, the Company, Baimashan Cement Plant and Ningguo Cement Plant submitted their 2002 EIT filing on a combined basis, at the rate of 33 per cent. However, pursuant to the relevant regulation in GuoShuiHan (2002) 226, such filing procedure is subject to the approval of the State Administration of Taxation. The related application procedures is in progress. In the event that the approval cannot be obtained, the maximum exposure would be an increment of income tax expense by approximately RMB4,700,000, which has not been accounted for in the accompanying financial statements.

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

As of 31 December 2002, there was no material unprovided deferred tax.

## 6 NET PROFIT FOR THE YEAR

The consolidated net profit for the year ended 31 December 2002 included a net loss approximately RMB19,450,000 (2001: net loss of approximately RMB17,545,000) dealt with in the financial statements of the Company before accounting for the results of subsidiaries and an associate using the equity method of accounting.

## 7 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2002	2001
Net profit	267,595	206,658
Weighted average number of ordinary shares in issue (thousands)	1,170,329	983,480
Basic earnings per share	0.23	0.21

The diluted earning per share was not calculated, because no potential dilutive shares existed during the year.

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### 8 DIVIDENDS

At the Board of Directors Meeting on 6 March 2003, a dividend in respect of 2002 of RMB0.05 per share (Note 31) amounting to a total dividend of RMB59,174 thousands was proposed (note 24(e)). These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ended 31 December 2002.

The dividends declared in respect of 2001 and 2000 were RMB49,174 thousands and RMB29,504 thousands respectively.

### 9 LEASEHOLD LAND

#### Group

	2002	2001
<b>Cost</b>		
Beginning of year	404,163	224,750
Addition from acquisition of subsidiaries	—	152,129
Purchases	43,414	27,284
Deduction from disposal of a subsidiary's share (Note 27(d))	(3,048)	—
End of year	444,529	404,163
<b>Accumulated amortisation</b>		
Beginning of year	22,974	16,356
Addition from acquisition of subsidiaries	—	662
Additions (Note 27(a))	9,170	5,956
Deduction from disposal of a subsidiary's share (Note 27(d))	(202)	—
End of year	31,942	22,974
<b>Net book value</b>		
End of year	412,587	381,189
Beginning of year	381,189	208,394

The leasehold land are valid for a period of 30 to 50 years from the date of certificates obtained by the Company and its subsidiaries.

# Notes to the Consolidated Financial Statements

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## 10 PROPERTY, PLANT AND EQUIPMENT

### Group

Movements in property, plant and equipment were as follows:

	2002					
	Buildings	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction-in-progress	Total
<b>Cost</b>						
Beginning of year	1,910,338	2,881,878	155,007	115,746	631,915	5,694,884
Purchases	338,169	60,944	11,944	21,941	2,393,894	2,826,892
Transfers	521,909	1,135,096	3,737	6,360	(1,667,102)	—
Deduction from disposal of a subsidiary's share (Note 27(d))	(2,754)	—	—	—	—	(2,754)
Disposals (Note 27(c))	(15,935)	(21,510)	(216)	(800)	—	(38,461)
End of year	2,751,727	4,056,408	170,472	143,247	1,358,707	8,480,561
<b>Accumulated depreciation</b>						
Beginning of year	342,116	962,625	130,353	67,705	—	1,502,799
Additions	70,419	178,551	12,525	17,234	—	278,729
Deduction from disposal of a subsidiary's share (Note 27(d))	(293)	—	—	—	—	(293)
Disposals (Note 27(c))	(2,421)	(5,085)	(151)	(755)	—	(8,412)
End of year	409,821	1,136,091	142,727	84,184	—	1,772,823
<b>Net book value</b>						
End of year	2,341,906	2,920,317	27,745	59,063	1,358,707	6,707,738
Beginning of year	1,568,222	1,919,253	24,654	48,041	631,915	4,192,085

## Notes to the Consolidated Financial Statements

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### 10 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings	Plant and machinery	2001 Furniture, fixtures and office equipment	Motor vehicles	Construction- in-progress	Total
<b>Cost</b>						
Beginning of year	1,499,261	2,280,881	148,346	91,967	381,097	4,401,552
Addition from acquisition of subsidiaries	24,800	18,676	1,677	964	385,207	431,324
Purchases	48,032	35,060	3,184	16,872	763,157	866,305
Transfers	341,629	548,038	1,810	6,069	(897,546)	—
Disposals (Note 27(c))	(3,384)	(777)	(10)	(126)	—	(4,297)
<b>End of year</b>	<b>1,910,338</b>	<b>2,881,878</b>	<b>155,007</b>	<b>115,746</b>	<b>631,915</b>	<b>5,694,884</b>
<b>Accumulated depreciation</b>						
Beginning of year	277,726	819,092	107,425	50,219	—	1,254,462
Addition from acquisition of subsidiaries	3,192	1,781	371	155	—	5,499
Additions	63,059	142,429	22,564	17,379	—	245,431
Disposals (Note 27(c))	(1,861)	(677)	(7)	(48)	—	(2,593)
<b>End of year</b>	<b>342,116</b>	<b>962,625</b>	<b>130,353</b>	<b>67,705</b>	<b>—</b>	<b>1,502,799</b>
<b>Net book value</b>						
<b>End of year</b>	<b>1,568,222</b>	<b>1,919,253</b>	<b>24,654</b>	<b>48,041</b>	<b>631,915</b>	<b>4,192,085</b>
<b>Beginning of year</b>	<b>1,221,535</b>	<b>1,461,789</b>	<b>40,921</b>	<b>41,748</b>	<b>381,097</b>	<b>3,147,090</b>

- (a) As of 31 December 2002, machinery and equipment with an aggregate net book value of approximately RMB108,809,075 (2001: approximately RMB118,081,000) have been pledged as collaterals for short-term bank borrowings (Note 21(a)).
- (b) As of 31 December 2002, the procedure of transferring titles to the buildings purchased during the year with an aggregate net book value of approximately RMB238,901,000 to the Group was still in progress.



## Notes to the Consolidated Financial Statements

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### 10 PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Construction-in-progress (“CIP”)

	2002	2001
Cost of construction, plant and equipment and other direct costs	1,351,859	628,047
Borrowing costs capitalised — interest	6,848	3,868
	<b>1,358,707</b>	631,915
Average capitalisation rate	<b>4.52%</b>	5.93%

### 11 INTANGIBLE ASSETS

#### Group

Intangible assets comprised:

	2002			
	Goodwill	Negative goodwill	Limestone mining licences	Total
<b>Cost</b>				
Beginning of year	65,771	(2,779)	81,379	144,371
Additions	—	—	—	—
Addition from acquisition of minority interests (Note 27(e))	241	(1,364)	—	(1,123)
End of year	66,012	(4,143)	81,379	143,248
<b>Accumulated amortisation</b>				
Beginning of year	19,237	(139)	17,082	36,180
Charge for the year	6,070	(278)	3,916	9,708
End of year	25,307	(417)	20,998	45,888
<b>Net book value</b>				
End of year	40,705	(3,726)	60,381	97,360
Beginning of year	46,534	(2,640)	64,297	108,191

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### 11 INTANGIBLE ASSETS (Continued)

		2001		
	Goodwill	Negative goodwill	Limestone mining licences	Total
<b>Cost</b>				
Beginning of year	64,203	—	72,379	136,582
Additions from acquisition of subsidiaries	1,568	(2,779)	9,000	7,789
End of year	65,771	(2,779)	81,379	144,371
<b>Accumulated amortisation</b>				
Beginning of year	13,203	—	13,396	26,599
Charge for the year	6,034	(139)	3,686	9,581
End of year	19,237	(139)	17,082	36,180
<b>Net book value</b>				
End of year	46,534	(2,640)	64,297	108,191
Beginning of year	51,000	—	58,983	109,983

The goodwill arose from the excess of acquisition cost over the Company's equity interest in the fair value of net identifiable assets of its subsidiaries (including Ningbo Hailuo Cement Co., Ltd., Anhui Tongling Hailuo Cement Co., Ltd., Zhangjiangang Hailuo Cement Co., Ltd., Nantong Hailuo Cement Co., Ltd. and Shanghai Hailuo Mingzhu Cement Co., Ltd.) at the date of acquisition.

Negative goodwill arose from the excess of Company's equity interest in the fair value of the net identifiable assets of its subsidiaries (including Anhui Zongyang Hailuo Cement Co., Ltd. and Anhui Chizhou Hailuo Cement Co., Ltd.) over the acquisition cost at the date of acquisition.

The limestone mining licences are valid for a period of 20 to 30 years from the date of the licences obtained by the Company and its subsidiaries.

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## 12 INVESTMENTS IN CONSOLIDATED SUBSIDIARIES

### Company

	2002	2001
Unlisted investments, at cost	2,525,008	2,316,500
Share of post-acquisition profits less losses	887,575	474,715
Less: Dividends from subsidiaries	(52,460)	—
Amounts due from subsidiaries	445,275	54,823
Amounts due to subsidiaries	(656,492)	(785,133)
	<b>3,148,906</b>	<b>2,060,905</b>

The amounts due from (to) subsidiaries arose from ordinary business transactions, and were unsecured, non-interest bearing and without fixed repayment terms.

The Company's directors are of the opinion that the underlying value of the subsidiaries was not less than the carrying value of the Company's investments in the subsidiaries as of year-end.

Details of the Company's subsidiaries, all of which are limited liability companies or joint stock limited company, as of 31 December 2002 were as follows:

Name of subsidiaries	Country of incorporation and date of incorporation	Company's equity interest	Registered capital	Principal activities
Baimashan Cement Plant 安徽省白馬山水泥廠	PRC 21 July 1982	100% (directly held)	RMB428,318,000	Manufacture and sale of clinker and cement products
Ningguo Cement Plant 安徽省寧國水泥廠	PRC 21 January 1985	100% (directly held)	RMB649,350,000	Manufacture and sale of clinker and cement products
Ningbo Hailuo Cement Co., Ltd. ("Ningbo Hailuo") 寧波海螺水泥有限公司	PRC 3 April 1993	75% (directly held)	RMB171,000,000	Manufacture and sale of clinker and cement products
Hailuo Cement 安徽海螺水泥有限公司	PRC 23 June 1994	75% (directly held)	USD29,980,000	Manufacture and sale of clinker and cement products

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### 12 INVESTMENTS IN CONSOLIDATED SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation and date of incorporation	Company's equity interest	Registered capital	Principal activities
Anhui Tongling Hailuo Cement Co., Ltd. ("Tongling Hailuo") 安徽銅陵海螺水泥有限公司	PRC 22 September 1995	68.14% (directly held)	RMB565,000,000	Manufacture and sale of clinker and cement products
Shanghai Hailuo Mingzhu Cement Co., Ltd. ("Mingzhu Hailuo") 上海海螺明珠水泥 有限責任公司	PRC 3 April 1995	76.20% (directly held)	RMB13,710,000	Manufacture and sale of clinker and cement products
Anhui Hailuo Machinery & Electric Co., Ltd. 安徽海螺機電設備有限公司	PRC 5 January 1998	100% (indirectly held)	RMB10,000,000	Provision of installation and repairing services
Jieyang Hailuo Cement Co., Ltd. ("Jieyang Hailuo")* 揭陽海螺水泥有限公司	PRC 10 April 1998	0.5% (directly held)	RMB3,000,000	Provision sale of clinker and cement products and provision of warehouse services
Ningbo Hailuo Free-trade Zone Trading Co., Ltd. 寧波保稅區海螺貿易公司	PRC 9 July 1998	100% (indirectly held)	RMB1,000,000	Trading and sale of clinker and cement products
Wuxi Hailuo Cement Sales Co., Ltd. 無錫市海螺水泥銷售有限公司	PRC 30 July 1998	60.50% (directly held)	RMB600,000	Sale of clinker and cement products
Anhui Changfeng Hailuo Cement Co., Ltd. 安徽長豐海螺水泥有限公司	PRC 4 September 1998	80% (directly held)	RMB10,000,000	Manufacture and sale of clinker and cement products
Zhangjiagang Hailuo Cement Co., Ltd. 張家港海螺水泥有限公司	PRC 30 September 1998	98.71% (directly held)	RMB35,000,000	Manufacture and sale of clinker and cement products
Shanghai Hailuo Cement Co., Ltd. 上海海螺水泥有限責任公司	PRC 13 November 1998	75% (directly held)	RMB60,000,000	Manufacture and sale of clinker and cement products

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## 12 INVESTMENTS IN CONSOLIDATED SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation and date of incorporation	Company's equity interest	Registered capital	Principal activities
Nanjing Hailuo Cement Co., Ltd. 南京海螺水泥有限公司	PRC 20 November 1998	99.75% (directly held) 0.25% (indirectly held)	RMB15,000,000	Manufacture and sale of clinker and cement products
Nantong Hailuo Cement Co., Ltd. 南通海螺水泥有限公司	PRC 22 June 1999	99% (directly held)	RMB15,000,000	Manufacture and sale of clinker and cement products
Shanghai Hailuo Cement Sales Co., Ltd. 上海海螺水泥销售有限公司	PRC 2 November 1999	90% (directly held) 10% (indirectly held)	RMB5,000,000	Sale of clinker and cement products
Nanchang Hailuo Construction Materials Trading Co., Ltd. 南昌海螺建材貿易 有限責任公司	PRC 28 January 2000	90% (directly held) 10% (indirectly held)	RMB1,000,000	Trading of construction materials
Anhui Digang Hailuo Cement Co., Ltd. 安徽荻港海螺水泥股份 有限公司	PRC 28 April 2000	51% (directly held)	RMB150,000,000	Manufacture and sale of clinker and cement products
Jianyang Hailuo Cement Co., Ltd. 福建省建陽海螺水泥有限公司	PRC 9 June 2000	76% (directly held)	RMB14,000,000	Manufacture and sale of clinker and cement products
Anhui Zongyang Hailuo Cement Co., Ltd. ("Zongyang Hailuo") 安徽樅陽海螺水泥股份 有限公司	PRC 19 June 2000	51% (directly held)	RMB300,000,000	Manufacture and sale of clinker and cement products
Anhui Chizhou Hailuo Cement Co., Ltd. 安徽池州海螺水泥股份 有限公司	PRC 2 November 2000	51% (directly held)	RMB318,000,000	Manufacture and sale of clinker and cement products

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### 12 INVESTMENTS IN CONSOLIDATED SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation and date of incorporation	Company's equity interest	Registered capital	Principal activities
Taizhou Hailuo Cement Co., Ltd. 泰州海螺水泥有限責任公司	PRC 6 November 2000	93.75% (directly held)	RMB11,520,000	Manufacture and sale of clinker and cement products
Bangbu Hailuo Cement Co., Ltd. 蚌埠海螺水泥有限責任公司	PRC 9 February 2001	96.7% (directly held) 3.3% (indirectly held)	RMB6,000,000	Manufacture and sale of clinker and cement products
Wenzhou Hailuo Cement Co., Ltd. 溫州海螺水泥有限公司	PRC 16 March 2001	95% (directly held) 5% (indirectly held)	RMB50,000,000	Manufacture and sale of clinker and cement products
Fenyi Hailuo Cement Co., Ltd. 分宜海螺水泥有限責任公司	PRC 20 August 2001	51% (directly held)	RMB50,000,000	Manufacture and sale of clinker and cement products
Shangyu Hailuo Cement Co., Ltd. 上虞海螺水泥有限責任公司	PRC 14 November 2001	90% (directly held) 10% (indirectly held)	RMB16,000,000	Manufacture and sale of clinker and cement products
Jiande Hailuo Cement Co., Ltd. 建德海螺水泥有限責任公司	PRC 28 November 2001	90% (directly held) 10% (indirectly held)	RMB50,000,000	Manufacture and sale of clinker and cement products
Jiangxi Lushan Hailuo Cement Co., Ltd. 江西廬山海螺水泥有限責任公司	PRC 1 February 2002	98.7% (directly held) 1.3% (indirectly held)	RMB31,420,000	Manufacture and sale of clinker and cement products
Taizhou Yangwan Hailuo Cement Co., Ltd. 泰州楊灣海螺水泥有限責任公司	PRC 20 June 2002	95% (directly held) 5% (indirectly held)	RMB50,000,000	Manufacture and sale of clinker and cement products
Nanchang Hailuo Cement Co., Ltd. 南昌海螺水泥有限責任公司	PRC 18 January 2002	90% (directly held) 10% (indirectly held)	RMB20,000,000	Manufacture and sale of clinker and cement products

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## 12 INVESTMENTS IN CONSOLIDATED SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation and date of incorporation	Company's equity interest	Registered capital	Principal activities
Anhui Huai Ning Hailuo Cement Co., Ltd. 安徽懷寧海螺水泥有限責任公司	PRC 24 October 2002	96% (directly held) 4% (indirectly held)	RMB50,000,000	Manufacture and sale of clinker and cement products
Zhongguo Cement Co., Ltd. 中國水泥廠有限公司	PRC 9 October 2002	90% (directly held) 10% (indirectly held)	RMB10,000,000	Manufacture and sale of clinker and cement products

— United States Dollars referred to as “USD”

\* The Company disposed 59.5% equity interest in Jieyang Hailuo on 30 June 2002 (Note 27(d)). Then after, it was no longer a consolidated subsidiary of the Company.

## 13 INVESTMENT IN AN ASSOCIATE

### Group

	2002	2001
Unlisted investment, at cost	49,671	49,671
Share of post-acquisition losses	(2,247)	(3,711)
Amount due from the associate	—	793
	<b>47,424</b>	<b>46,753</b>

### Company

	2002	2001
Unlisted investment, at cost	49,671	49,671
Share of post-acquisition losses	(2,247)	(3,711)
	<b>47,424</b>	<b>45,960</b>

The amount due from the associate arose from ordinary business transactions, and was unsecured, non-interest bearing and without fixed repayment terms.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2002

(All amounts in RMB thousands unless otherwise stated)

### 13 INVESTMENT IN AN ASSOCIATE (Continued)

The Company's directors are of the opinion that the underlying value of the associate was not less than the carrying value of the Company's investment in it as of year-end.

Details of the Company's associate, as of 31 December 2002 were as follows:

Name of subsidiaries	Country of incorporation and date of incorporation	Group's equity interest	Registered capital	Principal activities
Anhui King Bridge Cement Co., Ltd. (“King Bridge Cement”) 安徽朱家橋水泥有限公司	PRC 18 December 1997	40% (directly held)	USD15,000,000	Manufacture and sale of clinker and cement products

### 14 RECEIVABLES

Long-term receivables represents 15 million and 7 million paid by Tongling Hailuo and Zongyang Hailuo respectively for the preparation of certain projects on behalf of Anhui Tongling and Zongyang local Finance Bureau, and were repayable after completion of the preparation stage of such projects.

### 15 TRADING INVESTMENTS

#### Group and Company

	2002	2001
Marketable securities		
— PRC listed equity securities, at market value	1,574	14,391

The trading investments are traded in active markets and are valued at market value at the close of business on 31 December by reference to Stock Exchange quoted bid prices.

Trading investments are classified as current assets because they are expected to be realised within three months of the balance sheet date. In the income statement, changes in fair values of trading investments are recorded in “Gain/loss on trading investments”.

In the cash flow statement, trading investments are presented as part of cash equivalents (Note 27(b)).



## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2002  
(All amounts in RMB thousands unless otherwise stated)*

### 16 INVENTORIES

#### Group

	2002	2001
Raw materials (at cost)	218,158	170,552
Work-in-process (at cost)	26,078	13,000
Finished goods (at cost)	76,233	33,725
	<b>320,469</b>	217,277
Less: Provision for obsolescence	<b>(16,407)</b>	(5,777)
	<b>304,062</b>	211,500

### 17 PREPAYMENTS AND OTHER RECEIVABLES

#### Group

	2002	2001
Prepayment to suppliers	86,483	27,423
Guarantee deposit (a)	11,863	52,139
Others	64,428	65,262
	<b>162,774</b>	144,824
Less: Provision for bad and doubtful debts	<b>(11,516)</b>	(3,570)
	<b>151,258</b>	141,254

- (a) Guarantee deposits are deposits restricted for issuance of letters of credit and bank drafts with period over three months.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2002

(All amounts in RMB thousands unless otherwise stated)

### 18 TRADE RECEIVABLES

#### Group

	2002	2001
Accounts receivable	85,046	70,604
Bank acceptance notes receivable	96,574	103,960
Less: Provision for bad and doubtful debts	(19,231)	(8,453)
	<b>162,389</b>	166,111

#### Company

	2002	2001
Accounts receivable	42,371	31,938
Bank acceptance notes receivable	7,800	60,096
Less: Provision for bad and doubtful debts	(4,636)	(2,437)
	<b>45,535</b>	89,597

Ageing analysis of accounts receivable was as follows:

#### Group

	2002	2001
Ageing		
— not exceeding one year	62,435	57,209
— more than one year but not exceeding two years	6,546	—
— more than two years but not exceeding three years	3,327	4,459
— more than three years	12,738	8,936
	<b>85,046</b>	70,604

## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2002  
(All amounts in RMB thousands unless otherwise stated)*

### 18 TRADE RECEIVABLES (Continued)

#### Company

	2002	2001
Ageing		
— not exceeding one year	36,050	25,670
— more than one year but not exceeding two years	53	—
— more than two years but not exceeding three years	—	—
— more than three years	6,268	6,268
	<b>42,371</b>	<b>31,938</b>

Provision is made for long ageing and doubtful debts based on reviews of the status of individual accounts receivable outstanding.

### 19 OTHER PAYABLES AND ACCRUALS

#### Group

	2002	2001
Payables for CIP	344,174	125,703
Advances from customers	103,269	58,846
Deposits for contract commitments	68,848	25,178
Accrued utility expenses	46,907	19,538
Accrued harbour expenses, loading expenses and freight fees	17,530	19,595
Accrued pension fund	17,312	17,263
Accrued staff welfare	9,861	5,157
Payable for purchase of leasehold land	6,280	—
Accrued staff salaries and bonuses	5,049	3,255
Deposits received for leasing van covers	2,175	3,023
Accrued interest expenses	1,958	2,445
Others	72,331	52,622
	<b>695,694</b>	<b>332,625</b>





## Notes to the Consolidated Financial Statements

For the year ended 31 December 2002

(All amounts in RMB thousands unless otherwise stated)

### 21 BORROWINGS (Continued)

#### Group (Continued)

##### (b) Long-term borrowings (Continued)

(ii) Long-term loans are repayable in the following periods:

	2002			2001		
	Bank loans	Other loans	Total	Bank loans	Other loans	Total
Amount repayable within a period						
— not exceeding one year	509,611	—	509,611	287,426	3,900	291,326
— more than one year but not exceeding two years	294,162	—	294,162	590,074	—	590,074
— more than two years but not exceeding five years	865,410	—	865,410	474,232	—	474,232
— more than five years	80,000	—	80,000	33,706	—	33,706
	1,749,183	—	1,749,183	1,385,438	3,900	1,389,338
Less: current portion of long-term loans	(509,611)	—	(509,611)	(287,426)	(3,900)	(291,326)
	1,239,572	—	1,239,572	1,098,012	—	1,098,012

#### Company

##### (a) Short-term borrowings

	2002		2001	
	Interest rate per annum	RMB'000	Interest rate per annum	RMB'000
— Secured	4.78%– 4.89%	255,000	5.85%	142,000

As of 31 December 2002 and 2001, all short-term borrowings are guaranteed by Holdings.

## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2002  
(All amounts in RMB thousands unless otherwise stated)*

### 21 BORROWINGS (Continued)

(b) *Long-term borrowings*

(i) Details of long-term borrowings are as follows:

	2002		2001	
	Interest rate per annum	RMB'000 ( '000)	Interest rate per annum	RMB'000 ( '000)
Bank borrowings				
— Secured	<b>5.49%–5.94%</b>	<b>220,000</b>	5.94%	248,000

As of 31 December 2002 and 2001, all long-term borrowings are guaranteed by Holdings.

(ii) Long-term bank loans are repayable in the following periods:

	2002	2001
Amount repayable within a period		
— not exceeding one year	<b>150,000</b>	48,000
— more than one year but not exceeding two years	<b>50,000</b>	150,000
— more than two years but not exceeding five years	<b>20,000</b>	50,000
— more than five years	—	—
	<b>220,000</b>	248,000
Less: current portion of long-term loans	<b>(150,000)</b>	(48,000)
	<b>70,000</b>	200,000

### 22 LONG-TERM PAYABLES

	2002	2001
Payables to related parties (a)	<b>7,755</b>	9,990
Compensation fee payable (b)	<b>88,405</b>	—
	<b>96,160</b>	9,990
Less: current portion of compensations fee	<b>(11,753)</b>	—
	<b>84,407</b>	9,990

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2002

(All amounts in RMB thousands unless otherwise stated)

### 22 LONG-TERM PAYABLES (Continued)

- (a) Payables to related parties represents loan provided by minority shareholders of Mingzhu Hailuo to this subsidiary, as a kind of financial support. The payable is unsecured, non-interest bearing and without fixed repayment term (Note 28(d)).
- (b) Pursuant to the purchase agreement entered into between a third party and the Company in relation to the acquisition of certain operating assets and liabilities of former cement plants in Nanjing, the Group shall resume obligations in paying compensations for the former plants' retired and being laid-off employees. As of 31 December, 2002, the remaining obligation amounted to approximately RMB88,405,000.

### 23 ORDINARY SHARES

#### Group and Company

The Company issued 361,000,000 H shares with a par value of RMB1.00 each on 17 October 1997 at an issue price of RMB2.44 (HK\$2.28) per share. The H shares were listed on the Stock Exchange of Hong Kong on 21 October 1997. The Company issued 200,000,000 A shares with a par value of RMB1.00 each on 24 January 2002 at an issue price of RMB4.10 per share. The A shares were listed on Shanghai Stock Exchange on 7 February 2002. State-owned shares, A share and H shares rank pari passu in all respects, except that ownership of state-owned shares and A share are restricted to PRC nationals and legal persons, while H share can only be owned and traded by overseas investors. Dividends on state-owned shares and A share are payable in RMB, while dividends on H shares are payable in HK\$.

The details of share capital were as follows:

	2002		2001	
	Number of shares ('000)	Amount RMB'000	Number of shares ('000)	Amount RMB'000
<b>Registered, issued and fully paid:</b>				
State-owned shares with a par value of RMB1.00 each	622,480	622,480	622,480	622,480
H shares with a par value of RMB1.00 each	361,000	361,000	361,000	361,000
A shares with a par value of RMB1.00 each	200,000	200,000	—	—
	<b>1,183,480</b>	<b>1,183,480</b>	983,480	983,480



**24 SHARE PREMIUM AND RESERVES****(a) Share premium**

As of 31 December 2002 and 2001, share premium represents net assets acquired from Holdings in excess of par value of the state-owned shares issued, and proceeds from the issuance of H shares and A shares in excess of their par value, net of underwriting commissions, organisation costs and professional fees.

**(b) Capital reserve**

- (i) During the year ended 31 December 2001, the Group's certain trade receivables with gross balance and carrying amount of approximately RMB58 million and 33 million respectively were transferred to Holdings at the consideration equivalent to these trade receivables' gross balance. The excess of the transfer price over the carrying amount of these trade receivables resulted from such related party transaction was directly recorded in capital reserve. Detailed financial information was as follows:

Proceeds received from Holdings	57,988
Trade receivables	57,988
Less: Provision for bad and doubtful debts	(25,289)
Carrying amount of trade receivables	32,699
Capital reserve	25,289

- (ii) During the year ended 31 December 2002, the Company pick-up the addition of subsidiaries capital reserve according to the equity interest in related entities, totally amounting to approximately RMB3,341,000.

**(c) Statutory Surplus Reserve ("SSR")**

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.

For the year ended 31 December 2002, the directors have recommended that 10 per cent. (2001: 10 per cent.) of statutory net profit of each entity be appropriated to this reserve.

## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2002*

*(All amounts in RMB thousands unless otherwise stated)*

### 24 SHARE PREMIUM AND RESERVES (Continued)

#### (d) Statutory Public Welfare Reserve (“SPWR”)

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.

For the year ended 31 December 2002, the directors have recommended that 5 per cent. to 10 per cent. (2001: 10 per cent.) of statutory net profit of each entity be appropriated to this reserve.

#### (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.

As of 31 December 2002, the Group’s profit available for distribution to shareholders after transfers to reserves amounted to approximately RMB304,094,000 (2001: approximately RMB210,740,000).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2002

(All amounts in RMB thousands unless otherwise stated)

### 26 DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Details of directors' and supervisors' emoluments were:

	2002	2001
Fees for executive directors	—	—
Fees for non-executive directors	—	—
Fees for supervisors	—	—
Other emoluments for executive directors		
— Basic salaries and allowances	1,763	1,113
— Bonus	—	—
— Pension	50	212
Other emoluments for non-executive directors	—	—
Other emoluments for supervisors	625	683
	<b>2,438</b>	2,008

No directors or supervisors waived any emoluments during the years ended 31 December 2002 and 2001.

(b) Details of emoluments paid to the five highest paid individuals (including directors, supervisors and employees) were:

	2002	2001
Basic salaries and allowances	1,763	1,113
Bonus	—	—
Pension	50	212
	<b>1,813</b>	1,325
Number of directors	5	5
Number of supervisors	—	—
	<b>5</b>	5

All of the five highest paid individuals were directors and supervisors of the Company, whose emoluments were included in above Note 26(a). The emoluments paid to each of the five highest paid individuals during the years ended 31 December 2002 and 2001 were less than RMB1,060,000 (equivalent of Hong Kong Dollars (“HK\$”) 1,000,000).

During the years, no emoluments were paid to the five highest paid individuals as an inducement to join the Group or as compensation for loss of office.

## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2002  
(All amounts in RMB thousands unless otherwise stated)*

### 27 CASH GENERATED FROM OPERATIONS

**(a) Reconciliation from net profit to cash generated from operations:**

	2002	2001
Net Profit	<b>267,595</b>	206,658
Adjustments for:		
Minority interests (Note 25)	<b>109,294</b>	63,377
Tax (Note 5)	<b>172,342</b>	50,436
Depreciation of plant, property and equipment (Note 4)	<b>276,254</b>	223,469
Loss on disposal of plant, property and equipment (Note 4)	<b>19,167</b>	180
Amortisation of intangible assets (Note 4)	<b>9,708</b>	9,552
Amortisation of leasehold land (Note 4, 9)	<b>9,170</b>	5,956
Gain (loss) on disposals of trading investments (Note 4)	<b>5,267</b>	(4,867)
Gain on disposal of a subsidiary's share (Note 27(d))	<b>(645)</b>	—
Fair value adjustment on trading investments (Note 4)	<b>(4,053)</b>	—
Share of results of an associate	<b>(1,464)</b>	2,066
Fair value loss on inventory (Note 4)	<b>4,861</b>	2,138
Fair value loss on trade receivables (Note 4)	<b>3,436</b>	8,056
Foreign exchange gain, net (Note 2)	<b>(9,774)</b>	—
Interest income (Note 2)	<b>(6,413)</b>	(3,799)
Interest expenses (Note 2)	<b>110,816</b>	116,684
Charges in working capital:		
— Inventories	<b>(78,434)</b>	(12,580)
— Prepayments and other receivables	<b>(28,245)</b>	105,772
— Due from Holdings	<b>6,540</b>	6,218
— Due from an associate	<b>793</b>	197
— Due from related parties	<b>6,391</b>	(1,307)
— Trade receivables	<b>21,430</b>	(34,371)
— Other payables and accruals	<b>103,235</b>	(19,837)
— Current tax liabilities	<b>(13,409)</b>	28,773
— Due to related parties	<b>5,128</b>	(4,451)
— Trade payables	<b>40,805</b>	52,785
Cash generated from operations	<b>1,029,795</b>	801,105

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2002

(All amounts in RMB thousands unless otherwise stated)

### 27 CASH GENERATED FROM OPERATIONS (Continued)

#### (b) Analysis of the balances of cash and cash equivalents

	2002	2001
Trading investment (Note 15)	1,574	14,391
Cash on hand	157	75
Cash in bank — Current deposits	797,716	593,971
	<b>799,447</b>	608,437

#### (c) Supplemental cash flow information

##### (i) Cash outflows for purchase of property, plant and equipment

	2002	2001
Increase in property, plant, equipment and leasehold land	2,870,306	893,589
Less: Accumulated depreciation and amortisation of purchased equipment and leasehold land	—	(21,989)
Less: Capitalised interest	(28,096)	(10,894)
Less: Net increase of payables for CIP, equipment and leasehold land	(262,278)	(119,486)
Less: Purchase of property, plant and equipment by undertaking liabilities	(438,613)	—
Less: VAT transfer out for construction materials	(12,040)	—
Less: Depreciation allocated to CIP projects	(2,475)	—
	<b>2,126,804</b>	741,220

##### (ii) Proceeds from disposal of property, plant and equipment comprise:

	2002	2001
Net book amount (Note 10)	30,049	1,704
Less: Loss on disposal of property, plant and equipment	(19,167)	(180)
Net decrease of payables for CIP and equipment	(7,930)	—
	<b>2,952</b>	1,524

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2002  
(All amounts in RMB thousands unless otherwise stated)

### 27 CASH GENERATED FROM OPERATIONS (Continued)

#### (d) Net cash inflow from disposal of a subsidiary's share

During the year ended 31 December 2002, the Company disposed 59.5 per cent. equity interest in Jieyang Hailuo (effective from 30 June 2002). The fair value of related assets obtained and liabilities disposed, as well as the net cash inflow were as follows:

Leasehold land, net book value (Note 9)	2,846
Property, plant and equipment, net book value (Note 10)	2,461
Trade receivables	75
Prepayments and other receivables	28
Trade payables	(460)
Other payables and accruals	(3,034)
Minority interests (Note 25)	(766)
	<hr/>
Fair value of net assets disposed	1,150
Gain on disposal of the share (Note 27(a))	645
Remain carrying amount of long-term investment	(10)
	<hr/>
Total share transfer consideration/Net cash inflow	1,785

As the company only held 0.5 per cent. equity interest in Jieyang Hailuo, results of this subsidiary during the year are excluded in the consolidated financial statements from the effective date of share transfer. In addition, the remaining investment in this subsidiary was accounted for by using cost method, and presented as "Other long-term investment" in the balance sheet.

#### (e) Acquisition of minority interests

During the year ended 31 December 2002, the company acquired an additional 12.8 per cent. equity interest in Mingzhu Hailuo (effective from 29 November 2002) and an additional 15 per cent. equity interest in Ningbo Hailuo (effective from 30 November 2002) respectively. The related net cash outflow were as follows:

Fair value of minority interests acquired	
— Mingzhu Hailuo (Note 25)	1,514
— Ningbo Hailuo (Note 25)	27,271
	<hr/>
	28,785
Addition of goodwill, net (Note 11)	(1,123)
	<hr/>
Total acquisition consideration/Net cash outflow	27,662

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2002

(All amounts in RMB thousands unless otherwise stated)

### 27 CASH GENERATED FROM OPERATIONS (Continued)

#### (f) Analysis of changes in financing activities during the years ended 31 December 2002 and 2001

	2002			2001
	Short-term borrowings	Long-term borrowings	Total	Total
Beginning of year	1,027,420	1,389,338	2,416,758	1,715,866
Loans borrowed	1,848,270	1,215,468	3,063,738	1,332,187
Repayments of loans	(1,110,530)	(1,093,711)	(2,204,241)	(831,295)
Foreign exchange gain arising upon repayments of loans	—	(9,774)	(9,774)	—
Undertaken borrowings as a part of consideration of purchase of property, plant and equipment	85,293	247,862	333,155	—
Addition of loans from acquisition of subsidiaries	—	—	—	200,000
	<b>1,850,453</b>	<b>1,749,183</b>	<b>3,599,636</b>	2,416,758

### 28 RELATED PARTY TRANSACTIONS

#### Group

(a) Details of transactions between the Group and Holdings were as follow:

	2002	2001
Trademark licence fees paid to Holdings (i)	1,513	1,513
Clay evacuate fees paid to Holdings (ii)	—	295
Composite services fees paid to Holdings (iii)	2,314	3,668
Transfer trade receivables to Holdings (Note 24(b))	—	57,988
Guarantee provided by Holdings (iv)	2,655,482	1,426,190

(i) The Company has entered into a trademark licence agreement with Holdings, pursuant to which Holdings granted the Company an exclusive right to use and apply the Trademarks within and outside of the PRC in respect of all cement and clinker products of the Group. In return, the Company should pay RMB1,513,000 to Holdings each year. Such services fees were charged to the Group starting from 1 January 1998.

(ii) The Company has entered into a clay supply agreement with Holdings for the purchases of clay evacuate right at RMB0.5 per tonne from Holdings to evacuate clay in certain specified mines owned by Holdings.



## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2002  
(All amounts in RMB thousands unless otherwise stated)*

### 28 RELATED PARTY TRANSACTIONS (Continued)

#### Group (Continued)

- (iii) The Company has entered into a composite services agreement with Holdings, pursuant to which the Company has a non-exclusive right to purchase certain services, facilities and supplies from Holdings on normal commercial terms.
- (iv) Holdings provided guarantees for the borrowings of the Company and its subsidiaries. These guarantees are free of any charges to the Company and its subsidiaries (Note 21(a), (b)).
- (b) Details of transactions between the Group and related companies were as follows:

	2002	2001
Purchase of cement packaging materials from subsidiaries of Holdings	76,147	82,228
Purchase of construction and transportation services from subsidiaries of Holdings	21,039	25,488
Sales of cement products to an associate and subsidiaries of Holdings	6,694	11,591

#### Group and Company

- (c) Due from/due to Holdings

The amounts due to or due from Holdings mainly arose from the related party transactions mentioned in above Note 28(a) and the imported equipment and spare parts paid by Holdings on behalf of the Group and the Company or the other way around. The amounts due to/due from Holdings are unsecured and non-interest bearing.

- (d) Due from/to related parties

Name of related party	Nature of relationship
Anhui Hailuo Construction and Installation Co., Ltd ("Hailuo Construction and Installation")	Subsidiary of Holdings
Anhui Ningchong Packaging Material Bags Co., Ltd. ("Ningchong Packaging")	Subsidiary of Holdings
Wuhu Hailuo Plastic Products Co., Ltd. ("Wuhu Plastic")	Subsidiary of Holdings
Wuhu Conch Profiles and Science Co., Ltd. ("Conch Profiles and Science")	Subsidiary of Holdings
Baimashan Labouring and Service Co., Ltd.	Subsidiary of Holdings
Baimashan Transportation Co., Ltd.	Subsidiary of Holdings
Anhui Conch Industry Co., Ltd.	Subsidiary of Holdings
Anhui Ningguo Hailuo Transportation Co., Ltd.	Subsidiary of Holdings
Ningguo Hailuo Hotel	Subsidiary of Holdings

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2002

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### 28 RELATED PARTY TRANSACTIONS (Continued)

(d) Due from/to related parties (Continued)

#### Group

	2002	2001
Due from related parties		
Conch Profiles and Science	2,310	—
Hailuo Construction and Installation	1,570	9,160
Hailuo Construction Material	—	398
Other related companies	2,314	3,027
	<b>6,194</b>	12,585
Due to related parties		
Ningchong Packaging	7,619	1,549
Wuhu Plastic	3,451	5,613
Other related companies	3,959	2,739
	<b>15,029</b>	9,901
Long-term payable to related parties (Note 22(a))		
Shandong Nanhua Co., Ltd.	6,172	8,794
Shanghai Lingqiao Enterprise Development Co., Ltd.	1,583	1,196
	<b>7,755</b>	9,990

#### Company

	2002	2001
Due to related parties		
Ningchong Packaging	5,124	1,730
Other related companies	181	838
	<b>5,305</b>	2,568

The amounts due from/to related companies arose from ordinary business transactions, and were unsecured, non-interest bearing and without fixed repayment terms.

## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2002  
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### 29 IMPACT OF IFRS ADJUSTMENT ON NET PROFIT AND NET ASSETS

	Net profit		Net assets	
	2002	2001	2002	2001
As reported in the Group's statutory accounts	263,758	202,726	3,220,666	2,210,524
Impact of adjustment:				
— dividends proposed in subsequent period	—	—	59,174	49,174
— reversal of revaluation surplus of leasehold land	3,837	3,932	(171,416)	(175,252)
As restated in the Group's IFRS financial statements	267,595	206,658	3,108,424	2,084,446

### 30 COMMITMENTS

#### (a) Capital commitments

Capital commitments relate to purchases of machinery and equipment for production purposes as of 31 December 2002 and 2001 not provided for in the accounts were as follow:

	2002	2001
Contracted but not provided for	680,397	591,838
Authorised but not contracted for	1,178,815	402,184
	1,859,212	994,022

#### (b) License agreement

As mentioned in Note 28(a)(i), as of 31 December 2002, the Company is committed to pay trademark licence fee to Holdings at RMB1,513,000 per annum. The licence agreement did not indicate the expiration date.

### 31 SUBSEQUENT EVENTS

Pursuant to the resolution made by the Board of Directors subsequent to 31 December 2002, the Company proposed a final dividend of RMB0.05 per share for 2002 (Note 8).

### 32 SEGMENT REPORTING

The Group conducts its business within one business segment — the business of manufacturing and sales of cement products in the PRC. No segment income statement has been prepared by the Group during the year ended 31 December 2002. The Group also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are located in the PRC. Accordingly, no geographical segment data is presented.

### 33 CONTINGENT LIABILITIES

As of 31 December 2002, the Group has no significant contingent liabilities.