

## PROSPECTS

### 1. Developments

After thorough study and consideration, the Group is planning to establish a new dry process production line with a daily output of 2,500 tonnes of clinker in Taierzhuang, Shandong during the year, into which the Group will inject approximately RMB32,200,000, representing 70% of its shares. Annual cement output will be approximately 1 million tonnes, boosting the Group's aggregated annual cement output to approximately 2.5 million tonnes.

The joint venture partner of this project is 王晁煤電集團 (“Wang Chao Group”) in Shandong, a leading enterprise in Taierzhuang district. Wang Chao Group is primarily engaged in the operation of coal mines and power plants, and can assist the Group to lower its production cost.

If this investment materialises, once the first capital injection is made into the project, the Group will immediately enjoy various preferential treatments provided by the local government and enterprises, including a reduction of 80% on the existing rental payment of Shandong SAC's production lines. The current rental is RMB5,000,000 per annum. By providing a new supply network of electricity, Shandong SAC will also be able to reduce electricity cost by approximately 15%. The current electricity cost incurred by Shandong SAC is approximately RMB22,000,000 per annum.

### 2. Outlook

Despite the impact of the outbreak of SARS during the first half of the year, the gross domestic product of the PRC still increased by 8.2%. It is expected that the economy of the PRC will remain strong during the second half of the year. With cement, ceramic tile and natural stone being the major materials for construction, the development of this sector has entered its golden era.

The Group will persist, on one hand, to streamline the operation and explore the potentials of its two existing cement factories. On the other hand, the Group will also invest in new production lines by leveraging on the strengths of its existing management team, brand names and market share so that the new production lines will from the beginning have sufficient competitive advantage and become new examples of profit centres.

Furthermore, despite the intensive competition in the ceramic tile and natural stone market in the PRC, demand for quality natural stones from customers has also begun to increase with the improvement of living standard in general. Demand for materials such as ceramic tiles and natural stones for various projects and building construction has continued to grow. All these have boosted demand for high quality natural stones. Therefore, the ceramic tile and natural stone business in the PRC is expecting a promising future in the medium to long term. The Group will strive to provide quality products continually for the PRC market according to its plans.

The management believes that the above development strategies will enable the Group to achieve greater growth in economic benefits, which in turn will provide a better return for the shareholders.

## **DIRECTORS' INTERESTS**

At 30th June, 2003, no directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

No share options of the Company were granted during the six months ended 30th June, 2003.