

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

1. SALES, NET

Sales comprised:

	2003	2002
Gross sales (excluding VAT), less discounts and returns	5,695,033	2,999,776
Less: Surtaxes	(41,047)	(19,345)
	5,653,986	2,980,431

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

- City Development Tax, levied at 1% to 7% of net VAT payable.
- Education Supplementary Tax, levied at 3% to 4% of net VAT payable.

2. FINANCE COSTS, NET

	2003	2002
Interest expenses		
– on bank borrowings repayable within five years	223,288	138,108
– on bank borrowings repayable in more than five years	–	804
	223,288	138,912
Less: Amounts capitalised in construction-in-progress (Note 27(c))	(28,810)	(28,096)
Interest expense (Note 27(a))	194,478	110,816
Interest income (Note 27(a))	(7,904)	(6,413)
Net foreign exchange loss (gain) (Note 27(a))	1,043	(9,774)
	187,617	94,629

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

3. SUBSIDY INCOME

	2003	2002
Turnover tax refund (a)	17,425	6,816
VAT refund (b)	40,126	25,065
Interest subsidy (c)	11,526	4,732
Local government grants (d)	24,633	6,471
	93,710	43,084

- (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 425 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 development and expansion of local enterprises, at a discretionary amount determined by local government.

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

4. PROFIT BEFORE TAX AND MINORITY INTERESTS

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

	2003	2002
Staff costs		
– salaries, bonus and wages	216,129	133,641
– provision for staff welfare fund	24,148	9,855
– contribution to pension scheme	13,962	14,141
	254,239	157,637
Depreciation of property, plant and equipment (<i>Note 27(a)</i>)	477,740	276,254
Amortisation of leasehold land (<i>Note 27(a)</i>)	13,024	9,170
Amortisation of intangible assets (in “Administrative expense” item of the income statement) (<i>Note 27(a)</i>)	8,242	9,708
Loss on disposals of property, plant and equipment, net (<i>Note 27(a)</i>)	5,428	19,167
Receivables – impairment charge for bad and doubtful debts (<i>Note 27(a)</i>)	16,084	3,436
Inventory-impairment charge for obsolescent inventory (<i>Note 27(a)</i>)	8,515	4,861
Trading investments		
– fair value adjustment (<i>Note 27(a)</i>)	(238)	(4,053)
– loss on sale (<i>Note 27(a)</i>)	–	5,267
Auditor’s remuneration	2,120	1,961

5. ENTERPRISE INCOME TAX

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

	2003	2002
Income tax expense (<i>Note 27(a)</i>)		
– Current tax of the Group	536,492	172,342
– Share of tax of an associate	–	–
	536,492	172,342

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(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:

	2003		2002	
Accounting profit before tax and minority interests	1,654,669	100%	549,231	100%
Tax at the effective tax rate of 33% (2002: 33%)	546,041	33%	181,246	33%
Effect of different tax rates of subsidiaries	(12,958)	(0.8%)	(6,213)	(1.1%)
Effect of subsidiaries' tax losses	24,070	1.4%	6,151	1.1%
Tax effect of expenses that are not deductible in determining taxable profit	32,061	1.9%	4,233	0.8%
Tax effect of income that are not taxable in determining taxable profit	(2,808)	(0.2%)	(2,602)	(0.5%)
Income tax exemption granted to subsidiaries	(49,914)	(2.9%)	(10,473)	(1.9%)
Income tax expense	536,492	32.4%	172,342	31.4%

Individual companies within the Group are generally subject to Enterprise Income Tax ("EIT") at 33% on taxable income determined according to the PRC tax laws except Anhui Hailuo Cement Product Co., Ltd. ("Hailuo Plant"), Shanghai Hailuo Mingzhu Cement Co., Ltd. ("Mingzhu Hailuo") and Shanghai Hailuo Cement Sales Co., Ltd. ("Shanghai Sales").

Hailuo Plant 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 forward 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%. In 2000, Hailuo Plant was recognised as advanced technology enterprise with foreign investment, hence according to the tax regulations, Hailuo Plant was granted a 50% reduction for another three years after the Tax Holidays expired. Therefore the applicable EIT rate in 2002 remains at 15%. In 2003, approval was granted by local tax authority whereby Hailuo Plant was recognised as company located in mid-west China with foreign investment, hence according to the tax regulations, Hailuo Plant was granted a 50% reduction for another three years from 2003. Therefore the applicable EIT rate in 2003 remains at 15%.

Mingzhu Hailuo and Shanghai Sales were established in Shanghai Pudong new district. Accordingly, the applicable EIT rate is 15%.

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

5. ENTERPRISE INCOME TAX (Continued)

(2) (Continued)

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 2003, there was no material unprovided deferred tax.

6. NET PROFIT FOR THE YEAR

The consolidated net profit for the year ended 31 December 2003 included a net profit of approximately RMB6,395,000 (2002: net loss of approximately RMB19,450,000) 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.

	2003	2002
Net profit	743,404	267,595
Weighted average number of ordinary shares in issue (thousands)	1,192,975	1,170,329
Basic earnings per share (RMB)	0.62	0.23

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

8. DIVIDENDS

At the Board of Directors Meeting on 17 March 2004, a dividend in respect of 2003 of RMB0.1 per share (Note 31) amounting to a total dividend of RMB125,568 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 2003.

The dividends declared in respect of 2002 and 2001 were RMB59,174 thousands and RMB49,174 thousands respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

9. LEASEHOLD LAND

GROUP

	2003	2002
Cost		
Beginning of year	444,529	404,163
Purchases	27,524	43,414
Deduction from disposal of a subsidiary's share	–	(3,048)
End of year	472,053	444,529
Accumulated amortisation		
Beginning of year	31,942	22,974
Additions (Note 27(a))	13,024	9,170
Deduction from disposal of a subsidiary's share	–	(202)
End of year	44,966	31,942
Net book value		
End of year	427,087	412,587
Beginning of year	412,587	381,189

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

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT

GROUP

Movements in property, plant and equipment were as follows:

	2003					Total
	Buildings	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction-in-progress	
Cost						
Beginning of year	2,751,727	4,056,408	170,472	143,247	1,358,707	8,480,561
Purchases	807,346	1,605,432	121,607	42,943	569,367	3,146,695
Deduction from disposal of subsidiaries (Note 27(d))	(1,688)	(96)	(10)	-	-	(1,794)
Disposals (Note 27(c))	(9,232)	(11,275)	(39)	(2,173)	-	(22,719)
End of year	3,548,153	5,650,469	292,030	184,017	1,928,074	11,602,743
Accumulated depreciation						
Beginning of year	409,821	1,136,091	142,727	84,184	-	1,772,823
Additions	171,270	275,953	4,476	28,272	-	479,971
Deduction from disposal of subsidiaries (Note 27(d))	(317)	(18)	(5)	-	-	(340)
Disposals (Note 27(c))	(1,894)	(9,999)	(27)	(1,809)	-	(13,729)
End of year	578,880	1,402,027	147,171	110,647	-	2,238,725
Net book value						
End of year	2,969,273	4,248,442	144,859	73,370	1,928,074	9,364,018
Beginning of year	2,341,906	2,920,317	27,745	59,063	1,358,707	6,707,738

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2002					Total
	Buildings	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction-in-progress	
Cost						
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	(2,754)	-	-	-	-	(2,754)
Disposals	(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
Accumulated depreciation						
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	(293)	-	-	-	-	(293)
Disposals	(2,421)	(5,085)	(151)	(755)	-	(8,412)
End of year	409,821	1,136,091	142,727	84,184	-	1,772,823
Net book value						
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

(a) As of 31 December 2003, machinery and equipment with an aggregate net book value of approximately RMB99,536,000 (2002: approximately RMB108,810,000) have been pledged as collaterals for short-term bank borrowings (Note 21(a)).

(b) As of 31 December 2003, the procedure for the transferring titles of the buildings purchased in prior year with an aggregate net book value of approximately RMB228,721,000 to the Group was still in progress.

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Construction-in-progress ("CIP")

	2003	2002
Cost of construction, plant and equipment and other direct costs	1,909,872	1,351,859
Borrowing costs capitalised – interest	18,202	6,848
	1,928,074	1,358,707
Average capitalisation rate	4.76%	4.52%

11. INTANGIBLE ASSETS

Group

Intangible assets comprised:

	2003			
	Goodwill	Negative goodwill	Limestone mining licences	Total
Cost				
Beginning of year	66,012	(4,143)	81,379	143,248
Additions	–	–	8,079	8,079
Reclassification	(1,364)	1,364	–	–
Addition from acquisition of minority interests (Note 27(e))	–	(3,132)	–	(3,132)
End of year	64,648	(5,911)	89,458	148,195
Accumulated amortisation				
Beginning of year	25,307	(417)	20,998	45,888
Charge for the year	6,314	(2,112)	4,040	8,242
Reclassification	(1,364)	1,364	–	–
End of year	30,257	(1,165)	25,038	54,130
Net book value				
End of year	34,391	(4,746)	64,420	94,065
Beginning of year	40,705	(3,726)	60,381	97,360

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

11. INTANGIBLE ASSETS (Continued)

	2002			Total
	Goodwill	Negative goodwill	Limestone mining licences	
Cost				
Beginning of year	65,771	(2,779)	81,379	144,371
Additions	–	–	–	–
Addition from acquisition of minority interests	241	(1,364)	–	(1,123)
End of year	66,012	(4,143)	81,379	143,248
Accumulated amortisation				
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
Net book value				
End of year	40,705	(3,726)	60,381	97,360
Beginning of year	46,534	(2,640)	64,297	108,191

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., Zhangjianggang Hailuo Cement Co., Ltd., Nantong Hailuo Cement Co., Ltd. and Mingzhu Hailuo) 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., Anhui Chizhou Hailuo Cement Co., Ltd. and Anhui Changfeng Hailuo Cement Co., Ltd. ("Changfeng Hailuo")) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

12. INVESTMENTS IN CONSOLIDATED SUBSIDIARIES

COMPANY

	2003	2002
Unlisted investments, at cost	2,691,645	2,525,008
Share of post-acquisition profits less losses	1,230,293	887,575
Less: Dividends from subsidiaries	(596,586)	(52,460)
Amounts due from subsidiaries	1,199,066	445,275
Amounts due to subsidiaries	(944,943)	(656,492)
	3,579,475	3,148,906

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 2003 were as follows:

Name of subsidiaries	Country of incorporation and date of incorporation	Company's equity interest	Registered capital	Principal activities
Ningguo Cement Plant ("Ningguo Cement") 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
Mingzhu Hailuo 上海海螺明珠水泥 有限責任公司	PRC 3 April 1995	76.20% (directly held) 18% (indirectly held)	RMB13,710,000	Manufacture and sale of clinker and cement products
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

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

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 Hailuo Machinery & Electric Co., Ltd. 安徽海螺機電設備有限公司	PRC 5 January 1998	49% (directly held) 51% (indirectly held)	RMB10,000,000	Provision of installation and repairing 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
Changfeng Hailuo 安徽長豐海螺水泥有限公司	PRC 4 September 1998	90% (directly held) 10% (indirectly 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
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 Sales 上海海螺水泥銷售有限公司	PRC 2 November 1999	90% (directly held) 10% (indirectly held)	RMB5,000,000	Sale of clinker and cement products
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

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

12. INVESTMENTS IN CONSOLIDATED SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation and date of incorporation	Company's equity interest	Registered capital	Principal activities
Jiayang 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. 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
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
Fenxi 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

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

12. INVESTMENTS IN CONSOLIDATED SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation and date of incorporation	Company's equity interest	Registered capital	Principal activities
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
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
Zhongguo Cement Co., Ltd. ("Zhongguo Cement") 中國水泥廠有限公司	PRC 9 October 2002	90% (directly held) 10% (indirectly held)	RMB100,000,000	Manufacture and sale of clinker and cement products
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
Fuyang Conch Cement Co., Ltd. 阜陽海螺水泥有限責任公司	PRC 8 January 2003	90% (directly held) 10% (indirectly held)	RMB20,000,000	Manufacture and sale of clinker and cement products
Huai'an Conch Cement Co., Ltd. 淮安海螺水泥有限責任公司	PRC 15 January 2003	90% (directly held) 10% (indirectly held)	RMB20,000,000	Manufacture and sale of clinker and cement products
Taicang Conch Cement Co., Ltd. 太倉海螺水泥有限責任公司	PRC 8 July 2003	90% (directly held) 10% (indirectly held)	RMB20,000,000	Manufacture and sale of clinker and cement products

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

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 Conch Cement Co., Ltd. 台州海螺水泥有限責任公司	PRC 6 August 2003	90% (directly held) 10% (indirectly held)	RMB20,000,000	Manufacture and sale of clinker and cement products
Haimen Conch Cement Co., Ltd. 海門海螺水泥有限責任公司	PRC 11 December 2003	90% (directly held) 10% (indirectly held)	RMB50,000,000	Manufacture and sale of clinker and cement products
Jiangmen Conch Cement Co., Ltd. 江門海螺水泥有限責任公司	PRC 17 December 2003	90% (directly held) 10% (indirectly held)	RMB50,000,000	Manufacture and sale of clinker and cement products

– United States Dollars referred to as "USD"

13. INVESTMENT IN AN ASSOCIATE

GROUP AND COMPANY

	2003	2002
Unlisted investment, at cost	49,671	49,671
Share of post-acquisition gain/(losses)	1,134	(2,247)
	50,805	47,424

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 as of year-end.

Details of the Company's associate, as of 31 December 2003 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

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

14. RECEIVABLES

Long-term receivables represents RMB15 million paid by Tongling Hailuo for the preparation of certain projects on behalf of Anhui Tongling Local Finance Bureau, and were repayable after completion of the preparation stage of such projects.

The fair value of such receivables is approximately RMB14.7 million, which is calculated based on discounted cash flows using a discount rate based upon the borrowing rate which the directors expect would be available to borrowers at the balance sheet date.

15. TRADING INVESTMENTS

GROUP AND COMPANY

	2003	2002
Marketable securities		
– PRC listed equity securities, at market value	1,812	1,574

The trading investments are traded in active markets and are valued at market value at the close of business on 31 December 2003 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)).

16. INVENTORIES

GROUP

	2003	2002
Raw materials (at cost)	297,604	218,158
Work-in-process (at cost)	29,879	26,079
Finished goods (at cost)	153,845	76,233
	481,328	320,470
Less: Provision for obsolescence	(24,161)	(16,407)
	457,167	304,063

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

17. PREPAYMENTS AND OTHER RECEIVABLES

GROUP

	2003	2002
Prepayment to suppliers	85,555	86,483
Guarantee deposits (a)	5,063	11,863
Others	92,620	64,428
	183,237	162,774
Less: Provision for bad and doubtful debts	(23,347)	(11,518)
	159,890	151,256

(a) Guarantee deposits are deposits pledged with banks for issuance of letters of credit and guarantee deposits for bidding with period over three months.

18. TRADE RECEIVABLES

GROUP

	2003	2002
Accounts receivable	53,321	85,046
Bank acceptance notes receivable	252,086	96,574
Less: Provision for bad and doubtful debts	(21,961)	(19,231)
	283,446	162,389

COMPANY

	2003	2002
Accounts receivable	19,027	42,371
Bank acceptance notes receivable	135,536	7,800
Less: Provision for bad and doubtful debts	(6,994)	(4,636)
	147,569	45,535

The credit policy currently adopted by the Group for the sales of products to customers, other than certain state major projects, is delivery either on cash or upon receipt of bank acceptance notes. For state projects, the Group would grant credit term of one to two months.

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

18. TRADE RECEIVABLES (Continued)

Ageing analysis of accounts receivable was as follows:

GROUP

	2003	2002
Ageing		
– not exceeding one year	29,114	62,435
– more than one year but not exceeding two years	2,549	6,546
– more than two years but not exceeding three years	6,461	3,327
– more than three years	15,197	12,738
	53,321	85,046

COMPANY

	2003	2002
Ageing		
– not exceeding one year	11,230	36,050
– more than one year but not exceeding two years	961	53
– more than two years but not exceeding three years	87	–
– more than three years	6,749	6,268
	19,027	42,371

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

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

19. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

GROUP

	2003	2002
Payables for CIP	582,819	344,174
Advances from customers	284,994	103,269
Deposits for contract commitments	144,005	68,848
Accrued utility expenses	55,617	46,907
Accrued harbour expenses, loading expenses and freight fees	17,059	17,530
Accrued pension fund	17,013	17,312
Accrued staff welfare	18,223	9,861
Payable for purchase of leasehold land	–	6,280
Accrued staff salaries and bonuses	44,766	5,049
Deposits received for leasing van covers	968	2,175
Accrued interest expenses	2,799	1,958
Others	123,921	72,331
	1,292,184	695,694

COMPANY

	2003	2002
Advances from customers	99,334	31,630
Accrued utility expenses	9,717	–
Accrued harbour expenses, loading expenses and freight fees	2,550	595
Others	28,756	6,873
	140,357	39,098

20. TRADE PAYABLES

The Group's trade payables are all with ageing less than one year.

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

21. BORROWINGS

GROUP

(a) Short-term borrowings

	2003		2002	
	Interest rate per annum	RMB'000	Interest rate per annum	RMB'000
Bank borrowings				
– Secured*	1.80%-5.31%	1,729,611	2.58%-5.85%	1,527,144
– Unsecured	4.20%-5.05%	501,000	2.40%-5.85%	323,309
		2,230,611		1,850,453

* As of 31 December 2003, short-term borrowings amounting to approximately RMB1,629,611,000 are guaranteed by Holdings (Note 28(a)) (2002: approximately RMB1,457,144,000); approximately RMB100,000,000 (2002: approximately RMB70,000,000) are secured by machinery and equipment of the Group (Note 10(a)).

(b) Long-term borrowings

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

	2003			2002		
	Interest rate per annum	Foreign currency (‘000)	RMB equivalent (‘000)	Interest rate per annum	Foreign currency (‘000)	RMB equivalent (‘000)
Bank borrowings						
– Secured*	4.94%-5.94%	–	2,293,120	4.49%-5.94%	–	1,002,286
	2.40%-2.98%	USD14,000	116,052	2.98%	USD14,000	116,052
– Unsecured	4.12%-6.03%	–	405,400	2.01%-6.03%	–	550,845
Other borrowings**						
– Unsecured	2.28%	–	80,000	Prevailing fixed deposit interest rate + 0.3%	–	80,000
			2,894,572			1,749,183

* As of 31 December 2003, long-term borrowings amounting to approximately RMB2,409,172,000 are guaranteed by Holdings (Note 28(a)) (2002: approximately RMB1,198,338,000 are guaranteed by Holdings).

** As of 31 December 2003 and 2002, other borrowings represented national debt loan (國債轉貸) provided by Anhui Finance Bureau, and will mature in June 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

21. BORROWINGS (Continued)

(b) Long-term borrowings (Continued)

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

	2003			2002		
	Bank loans	Other loans	Total	Bank loans	Other loans	Total
Amount repayable within a period						
- not exceeding one year	296,110	-	296,110	509,611	-	509,611
- more than one year but not exceeding two years	619,702	-	619,702	294,162	-	294,162
- more than two years but not exceeding five years	1,898,760	-	1,898,760	865,410	-	865,410
- more than five years	-	80,000	80,000	-	80,000	80,000
	2,814,572	80,000	2,894,572	1,669,183	80,000	1,749,183
Less: Current portion of long-term loans	(296,110)	-	(296,110)	(509,611)	-	(509,611)
	2,518,462	80,000	2,598,462	1,159,572	80,000	1,239,572

The fair values of above non-current long-term borrowings are approximately RMB2,291 million (2002: approximately 1,086 million), which is calculated based on discounted cash flows using a discount rate based upon the borrowing rate which the directors expect would be available to the Group at the balance sheet date. The carrying amounts of short-term borrowings and current portion of long-term borrowings approximate their fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

21. BORROWINGS (Continued)

COMPANY

(a) Short-term borrowings

	2003		2002	
	Interest rate per annum	RMB'000	Interest rate per annum	RMB'000
Bank borrowings				
– Secured	4.78%	355,000	4.78%-4.89%	255,000
– Unsecured	4.78%	60,000	–	–
		415,000		255,000

As of 31 December 2003 and 2002, all secured short-term borrowings are guaranteed by Holdings.

(b) Long-term borrowings

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

	2003		2002	
	Interest rate per annum	RMB equivalent (‘000)	Interest rate per annum	RMB equivalent (‘000)
Bank borrowings				
– Secured	4.94%-5.58%	428,120	5.49%-5.94%	220,000
– Unsecured	4.94%-5.58%	50,000	–	–
		478,120		220,000

As of 31 December 2003 and 2002, all secured long-term borrowings are guaranteed by Holdings.

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

21. BORROWINGS (Continued)

(b) Long-term borrowings (Continued)

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

	2003	2002
Amount repayable within a period		
– not exceeding one year	128,110	150,000
– more than one year but not exceeding two years	28,650	50,000
– more than two years but not exceeding five years	321,360	20,000
– more than five years	–	–
	478,120	220,000
Less: Current portion of long-term loans	(128,110)	(150,000)
	350,010	70,000

The fair values of above non-current long-term borrowings are approximately RMB305 million (2002: approximately 64 million), which is calculated based on discounted cash flows using a discount rate based upon the borrowing rate which the directors expect would be available to the Group at the balance sheet date. The carrying amounts of short-term borrowings and current portion of long-term borrowings approximate their fair value.

22. LONG-TERM PAYABLES

	2003	2002
Payables to minority shareholders of Mingzhu Hailuo (a)	7,755	7,755
Compensation fee payable (b)	79,077	88,405
	86,832	96,160
Less: current portion of compensations fee	(10,407)	(11,753)
	76,425	84,407

(a) This 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.

(b) Pursuant to the purchase agreement entered into between the Company and two third parties in relation to the acquisition of certain operating assets and liabilities of a 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, 2003, the remaining obligation amounted to approximately RMB79,077,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

22. LONG-TERM PAYABLES (Continued)

The fair values of above non-current long-term payables are approximately RMB74.5 million (2002: approximately RMB82 million), which is calculated based on discounted cash flows using a discount rate based upon the borrowing rate which the directors expect would be available to the Group at the balance sheet date. The carrying amounts of the current portion of long-term payables approximate their fair value.

23. ORDINARY SHARES

GROUP AND COMPANY

The Company issued 361,000,000 H shares with a par value of RMB1.00 each in 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 in January 2002 at an issue price of RMB4.10 per share. The A shares were listed on Shanghai Stock Exchange on 7 February 2002. The Company issued 72,200,000 H shares with a par value of RMB1.00 each at an issue price of RMB8.74 (HK\$ 8.2) per share in November 2003.

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 and qualified foreign investment institute, 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:

	2003		2002	
	Number of shares ('000)	Amount RMB'000	Number of shares ('000)	Amount RMB'000
Registered, issued and fully paid:				
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	433,200	433,200	361,000	361,000
A shares with a par value of RMB1.00 each	200,000	200,000	200,000	200,000
	1,255,680	1,255,680	1,183,480	1,183,480

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

24. SHARE PREMIUM AND RESERVES

(a) Share premium

As of 31 December 2003 and 2002, 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

During the year ended 31 December 2003, the Company picked up the addition of subsidiaries' capital reserve according to the equity interest in the related entities, amounting to approximately RMB2,743,000. (2002: 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% 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 offsetting prior years' losses, such statutory surplus reserve must be maintained at a minimum of 25% of share capital after such usage.

For the year ended 31 December 2003, the directors have recommended that 10% (2002: 10%) of statutory net profit of each entity be appropriated to this reserve.

(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 required to appropriate 5% to 10% 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 2003, the directors have recommended that 5% to 10% (2002: 5% to 10%) of statutory net profit of each entity be appropriated to this reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

24. SHARE PREMIUM AND RESERVES (Continued)

(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 2003, the Group's profit available for distribution to shareholders after transfers to reserves amounted to approximately RMB716,598,000 (2002: approximately RMB304,094,000).

Analysis of the appropriations to SSR and SPWR in the Statutory Accounts and the financial statements prepared under IFRS is as follows:

	Financial Statutory Accounts	statements under IFRS
Net profit for the year	739,567	743,404
Transfer to SSR	(163,869)	(163,869)
Transfer to SPWR	(155,099)	(155,099)
Dividends for 2002 (Note 8)	–	(59,174)
Release of SSR and SPWR upon liquidation of subsidiaries	51,078	51,078
Distributable profit attributable to shareholders	471,677	416,340
Retained earnings, beginning of year	244,921	344,196
Total distributable profit	716,598	760,536
Dividends for 2003 (Note 8)	(125,568)	–
Retained earnings, end of year	591,030	760,536

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

25. MINORITY INTEREST

	2003	2002
Beginning of year	831,234	800,305
Share of net profit of subsidiaries (Note 27(a))	374,773	109,294
Addition from subsidiaries' loan waived and donation received	777	1,588
Dividend received	(94,684)	(50,402)
Disposal of subsidiaries (Note 27(d))	(467)	(766)
Disposal equity interest in Mingzhu Hailuo (Note 27(e))	(3,396)	(1,514)
Disposal equity interest in Ningbo Hailuo	-	(27,271)
Disposal equity interest in Changfeng Hailuo (Note 27(e))	(4,204)	-
End of year	1,104,033	831,234

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

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

	2003	2002
Fees for executive directors	-	-
Fees for non-executive directors	-	-
Fees for supervisors	-	-
Other emoluments for executive directors		
- Basic salaries and allowances	2,488	1,763
- Bonus	-	-
- Pension	21	50
Other emoluments for non-executive directors	-	-
Other emoluments for supervisors	1,164	625
	3,673	2,438

No directors or supervisors waived any emoluments during the years ended 31 December 2003 and 2002.

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

	2003	2002
Basic salaries and allowances	2,488	1,763
Bonus	-	-
Pension	21	50
	2,509	1,813
Number of directors	5	5
Number of supervisors	-	-
	5	5

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

26. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

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 2003 and 2002 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.

27. CASH GENERATED FROM OPERATIONS

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

	2003	2002
Net Profit	743,404	267,595
Adjustments for:		
Minority interests (Note 25)	374,773	109,294
Tax (Note 5)	536,492	172,342
Depreciation of plant, property and equipment (Note 4)	477,740	276,254
Loss on disposal of plant, property and equipment (Note 4)	5,428	19,167
Amortisation of intangible assets (Note 4, 11)	8,242	9,708
Amortisation of leasehold land (Note 4, 9)	13,024	9,170
Loss on disposals of trading investments (Note 4)	–	5,267
Gain on disposal of subsidiaries (Note 27(d))	(451)	(645)
Fair value adjustment on trading investments (Note 4)	(238)	(4,053)
Share of results of an associate	(3,381)	(1,464)
Fair value loss on inventory (Note 4)	8,515	4,861
Fair value loss on receivables (Note 4)	16,084	3,436
Foreign exchange loss/(gain), net (Note 2)	1,043	(9,774)
Interest income (Note 2)	(7,904)	(6,413)
Interest expenses (Note 2)	194,478	110,816
Charges in working capital:		
– Inventories	(161,620)	(78,434)
– Prepayments and other receivables	(13,614)	(28,245)
– Due from Holdings	(3,561)	6,540
– Due from an associate	–	793
– Due from related parties	(38,019)	6,391
– Trade receivables	(124,683)	21,430
– Other payables, advances from customers and accruals	274,702	103,235
– Current tax liabilities	84,705	(13,409)
– Due to related parties	(14,032)	5,128
– Trade payables	325,372	40,805
Cash generated from operations	2,696,499	1,029,795

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

27. CASH GENERATED FROM OPERATIONS (Continued)

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

	2003	2002
Trading investment (Note 15)	1,812	1,574
Cash on hand	232	156
Cash in bank – Current deposits	2,246,560	797,716
	2,248,604	799,446

(c) Supplemental cash flow information

- (i) Cash outflows for purchase of property, plant and equipment, leasehold land and intangible assets.

	2003	2002
Increase in property, plant, equipment, leasehold land and intangible assets	3,182,298	2,870,306
Less: Accumulated depreciation of purchased property, plant and equipment	(330)	–
Less: Capitalised interest (Note 2)	(28,810)	(28,096)
Less: Net increase of payables for CIP, equipment and leasehold land	(313,802)	(262,278)
Less: Purchase of property, plant and equipment by undertaking liabilities	–	(438,613)
Less: VAT transfer out for construction materials	(24,614)	(12,040)
Less: Depreciation allocated to CIP projects	(1,891)	(2,475)
	2,812,963	2,126,804

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

	2003	2002
Net book amount (Note 10)	8,990	30,049
Less: Loss on disposal of property, plant and equipment	(5,428)	(19,167)
Net decrease of payables for CIP and equipment	(2,110)	(7,930)
	1,452	2,952

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

27. CASH GENERATED FROM OPERATIONS (Continued)

(d) Net cash inflow from disposal of subsidiaries' shares

As of 31 December 2003, the Company's subsidiaries, Wuxi Conch Cement Sales Co., Ltd. and Nanchang Conch Construction Materials Trading Co., Ltd. have completed their liquidation procedures and applied for deregistration. Results of these subsidiaries during the year are excluded in the consolidated financial statements from the date of liquidation start. The fair value of related assets obtained and liabilities disposed, as well as the net cash inflow were as follows:

Property, plant and equipment, net book value (Note 10)	1,454
Non-cash current assets	603
Current liabilities	(1,500)
Minority interests (Note 25)	(467)
Fair value of net assets disposed	90
Gain on disposal of subsidiaries (Note 27(a))	451
Net cash inflow	541

(e) Acquisition of minority interests

During the year ended 31 December 2003, Zhongguo Cement acquired 18% equity interest in Mingzhu Hailuo (effective from 29 December 2003). The Company and Ningguo Cement acquired an additional 20% equity interest in Changfeng Hailuo (effective from 25 December 2003). The related net cash outflow were as follows:

Fair value of minority interests acquired	
– Mingzhu Hailuo (Note 25)	3,396
– Changfeng Hailuo (Note 25)	4,204
	7,600
Addition of negative goodwill, net (Note 11)	(3,132)
Total acquisition consideration/Net cash outflow	4,468

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(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 2003 and 2002

	2003			2002
	Short-term borrowings	Long-term borrowings	Total	Total
Beginning of year	1,850,453	1,749,183	3,599,636	2,416,758
Loans borrowed	1,688,916	1,591,235	3,280,151	3,063,738
Repayments of loans	(1,308,756)	(445,846)	(1,754,602)	(2,204,241)
Foreign exchange gain arising upon repayments of loans	(2)	–	(2)	(9,774)
Undertaken borrowings as a part of consideration of purchase of property, plant and equipment	–	–	–	333,155
	2,230,611	2,894,572	5,125,183	3,599,636

28. RELATED PARTY TRANSACTIONS

GROUP

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

	2003	2002
Trademark licence fees paid to Holdings (i)	1,513	1,513
Composite services fees paid to Holdings	2,226	2,314
Guarantee provided by Holdings (ii)	4,038,783	2,655,482

(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) 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)).

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

28. RELATED PARTY TRANSACTIONS (Continued)

(b) Details of transactions between the Group and related companies were as follows:

	2003	2002
Purchase of cement packaging materials and construction materials from subsidiaries of Holdings	112,183	76,147
Purchase of construction and transportation services from subsidiaries of Holdings	1,260	21,039
Commission fee paid to subsidiaries of Holdings	639	–
Sales of cement products to an associate and subsidiaries of Holdings	2,667	6,694

(c) Due from (to) Holdings

GROUP AND COMPANY

The amounts due to or due from Holdings mainly arose from the related party transactions mentioned in above Note 28(a). The amounts due from/to Holdings are unsecured and non-interest bearing without fixed repayment terms.

(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
Wuhu Conch Profiles and Science Co., Ltd. ("Conch Profiles and Science")	Subsidiary of Holdings
Anhui Ningchang Packaging Material Bags Co., Ltd. ("Ningchang Packaging")	Subsidiary of Holdings
Wuhu Hailuo Plastic Products Co., Ltd. ("Wuhu Plastic")	Subsidiary of Holdings
Ningguo Hailuo Hotel	Subsidiary of Holdings
Shanghai Conch Building Material International Trading Co., Ltd. ("Shanghai International")	Subsidiary of Holdings

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2003

(All amounts in RMB thousands unless otherwise stated)

28. RELATED PARTY TRANSACTIONS (Continued)

GROUP

	2003	2002
Due from related parties		
Shanghai International	34,552	–
Ningchang packing	3,164	–
Hailuo Construction and Installation	2,593	1,570
Conch Profiles and Science	1,765	2,310
Other related companies	2,139	2,314
	44,213	6,194
Due to related parties		
Ningchang Packaging	–	7,619
Wuhu Plastic	–	3,451
Other related companies	997	3,959
	997	15,029

COMPANY

	2003	2002
Due from related parties		
Hailuo Construction and Installation	1,857	–
Conch Profiles and Science	1,213	–
Other related companies	482	–
	3,552	–
Due to related parties		
Ningchang Packaging	346	5,124
Other related companies	262	182
	608	5,306

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, 2003

(All amounts in RMB thousands unless otherwise stated)

29. IMPACT OF IFRS ADJUSTMENT ON NET PROFIT AND NET ASSETS

	Net profit		Net assets	
	2003	2002	2003	2002
As reported in the Group's statutory accounts	739,567	263,758	4,583,724	3,279,840
Impact of adjustment:				
– reversal of revaluation surplus of leasehold land	3,837	3,837	(167,577)	(171,416)
– negative goodwill	–	–	(3,132)	–
As restated in the Group's IFRS financial statements	743,404	267,595	4,413,015	3,108,424

30. COMMITMENTS

(a) Capital commitments

Capital commitments relate to purchases of machinery and equipment for production purposes as of 31 December 2003 and 2002 not provided for in the accounts were as follow:

	2003	2002
Contracted but not provided for	381,185	680,397
Authorised but not contracted for	973,517	1,178,815
	1,354,702	1,859,212

(b) License agreement

As mentioned in Note 28(a)(i), as of 31 December 2003, 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 2003, the Company proposed a final dividend of RMB0.1 per share for 2003 (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 2003. 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 2003, the Group has no significant contingent liabilities.