
SUMMARY

The following summary is qualified in its entirety by, and is subject to, the detailed information contained elsewhere in this prospectus.

INTRODUCTION

The group intends to become a leading value added provider of cement, concrete and related products and services to the building and construction industry in the major markets in Hong Kong and the PRC.

The company was incorporated for the purpose of becoming the listed holding company of the group. Presently, the group is engaged in the production, distribution and sale of concrete, mortars, shotcrete and precast concrete products mainly in Hong Kong. In order to expand into the PRC market, the company entered into a conditional agreement with China Resources Holdings on 26th March, 2003 to acquire its cement operations and PRC concrete operations, located in the Guangxi ZAR and the Guangdong province in the PRC. After the completion of the acquisition, the enlarged group will be engaged in two lines of business: the concrete operations, being the production and sale of concrete products in Hong Kong and the PRC; and the cement operations, being the production of cement products in the PRC and sale of cement products in Hong Kong and the PRC. The enlarged group will operate four batching plants in Hong Kong, one batching plant in Shenzhen, one batching plant in Dongguan and three cement plants located respectively in the Guangxi ZAR and Guangdong province in the PRC. The annual production capacity of the enlarged group's plants will be over 2,800,000 cubic metres of concrete and 2,400,000 tonnes of cement. The directors believe that the enlarged group's initial size will place it among the major independent cement and concrete producers in the PRC in terms of annual sales. It is the intention of the enlarged group to increase its production capacity in the PRC through internal expansion and further acquisitions in the future.

Following the completion of the group reorganisation and the acquisition, as described under the "Group reorganisation" section and the "Acquisition" section in this prospectus, China Resources Holdings and its associates will hold approximately 74.5% of the issued share capital of the company and the remaining shareholding interest will be held by the China Resources Enterprise independent shareholders.

KEY STRENGTHS OF THE ENLARGED GROUP

The directors consider that the success of the enlarged group is primarily attributable to the following factors:

- a strong management team with substantial experience in the industry;
- a well established customer base;
- strategic geographical location of the enlarged group's production plants;
- high standard of quality of its products;
- strong capital base; and
- active support from China Resources Holdings.

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HISTORY AND DEVELOPMENT OF THE GROUP

The Redland group's operation started in 1986 when Redland Concrete was established by China Resources Holdings together with Mr. Howard Chan and other members of the management team. In 1986, Redland Concrete commenced its operation in the production and sale of ready mixed concrete when its first batching plant was built in Lam Tei, Hong Kong. Between 1987 and 1997, the Redland group gradually expanded its capacity from one to nine batching plants in Hong Kong with an annual production capacity of over 3,000,000 cubic metres of ready mixed concrete. However, in response to an increasingly difficult operating environment as a result of a contraction in the demand for, and production of concrete and related products in the past five years, the Redland group has implemented cost reduction measures and streamlined its operations since 2000 to improve its cost competitiveness. As a result, the Redland group closed down a number of batching plants and currently operates four batching plants located strategically throughout Hong Kong, two of which have waterfront access.

In view of the importance of securing a stable and competitively priced supply of aggregate, a major raw material in the production of ready mixed concrete, Redland Concrete acquired a 50% interest in Man Wah in 1990. Man Wah had been engaged in quarrying work in Shenzhen until 1998, after which it was involved only in the trading of aggregate until it ceased its operations in 2002.

In late 1991, Redland Concrete entered into a joint venture agreement with V.S.L. Engineers (HK) Ltd., subsequently renamed as VSL Hong Kong Limited ("VSL"), and Grand Max to establish VSL Redland Concrete Products Limited ("VSL Redland") in which Redland Concrete had a 25% shareholding interest. Under the joint venture agreement, VSL Redland was established to produce a range of precast concrete products. In August 1994, Redland Concrete and Grand Max, each of which was holding 25% shareholding interest, acquired the remaining 50% interest in VSL Redland from VSL. The name of VSL Redland was then changed to Redland Precast. Redland Concrete continues to hold a 50% shareholding interest in Redland Precast.

In July 1992, Redland Mortars was established to engage in the production and sale of ready mixed mortars in response to the increasing demand of ready mixed mortars in the building industry in Hong Kong. In the same year, Redland Concrete was one of the first companies in the building and construction industry in Hong Kong to be awarded the ISO 9001 certification from the Hong Kong Quality Assurance Agency and one of the first ready mixed concrete companies to receive the "Quality Scheme" accreditation for the production and supply of concrete.

In March 1997, Redland Concrete acquired all the issued share capital of Quality Control Consultants, which is engaged in the testing of construction materials, building inspection and structural investigation in Hong Kong and the PRC.

In August 1997, China Resources Enterprise acquired an 80% shareholding interest in Redland Concrete from China Resources Holdings. In August 1999, Redland Concrete became the wholly owned subsidiary of China Resources Enterprise when China Resources Enterprise acquired the remaining 20% shareholding interest from China Resources Holdings.

In October 1997, Redland Shotcrete was established to engage in the production and sale of ready mixed shotcrete in response to the increasing demand for ready mixed shotcrete in the construction industry in Hong Kong for slope stabilisation, excavation support and tunnelling.

In 2002, Redland Concrete obtained the ISO 14001 Environmental Management System Certification.

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With the concentration of the China Resources Enterprise group on the distribution and marketing and sale of consumer goods, the concrete operations increasingly fell outside the current focus of the business of China Resources Enterprise. Further it was considered that the PRC based cement and concrete operations of the China Resources Holdings group would complement the concrete operation, which already has an established market position in Hong Kong. A separate listing of the group, together with the acquired companies, will allow the enlarged group to focus its activities on the production and supply of cement, concrete and related products and services to the building and construction industry in the major markets in both Hong Kong and the PRC. This will give the company a direct access to the equity capital market and a marketable security in its shares which the directors believe will assist in its objective to expand its operations in the PRC and to establish a leading position in that market.

China Resources Enterprise proposed a group reorganisation in March this year and the company was formed and incorporated in the Cayman Islands on 13th March, 2003. As part of the group reorganisation, the company intends to acquire all of China Resources Holdings' interests in Guangxi CR Cement Holding, Dongguan Cement Holding, Dongguan Concrete Holding and Shenzhen Concrete Holding. An agreement was entered into between the company and China Resources Holdings for the acquisition. Upon completion of the acquisition and the introduction, the company will become the listed holding company of the enlarged group.

THE REDLAND GROUP

At present, the Redland group is principally engaged in the production and sale of ready mixed concrete, ready mixed mortars, ready mixed shotcrete and precast concrete products. It also provides quality control services to the Redland group's own operations and other independent third parties.

Redland Concrete is principally engaged in the production and sale of ready mixed concrete in Hong Kong. Sales of the group are derived primarily from the sale of ready mixed concrete which accounted for approximately 88.2%, 89.2% and 82.1% of the net turnover and approximately 84.0%, 86.1% and 76.4% of the gross profit of the group for the three years ended 31st December, 2002, respectively.

Redland Mortars was acquired in July 1992 and is engaged in the production and sale of ready mixed mortars in Hong Kong for the Redland group. It is a wholly owned subsidiary of the Redland group. Redland Mortars produces principally ready mixed mortar which is commonly used in the construction industry in Hong Kong. Redland Mortars produces a wide variety of ready mixed mortars, which includes wall plaster mortars, screed mortars, cement sand grout mortar, cement grout mortar, light weight concrete and lightweight foam concrete.

Redland Shotcrete was established in October 1997 and is engaged in the production and sale of ready mixed shotcrete in Hong Kong. It is a wholly owned subsidiary of the Redland group.

Redland Precast, an associated company of the Redland group, currently carries out the production of precast concrete. Redland Precast is principally engaged in producing specially engineered structures custom signage and curb inlets and its main customers are civil engineering and building concerns, including the Hong Kong Government, quasi government organisations, property developers and construction contractors.

The Redland group has four batching plants that are strategically located throughout Hong Kong, allowing for its concrete products to be delivered on a timely basis to its customers. The four batching plants are located in Kwai Chung, Yuen Long, Yau Tong and Chai Wan and have a total annual

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production capacity of approximately 2,000,000 cubic metres. For the year ended 31st December, 2002, the total production volume of these four batching plants was approximately 784,000 cubic metres, representing approximately 39.2% of the Redland group's annual production capacity of concrete. The directors believe that the Redland group has the single largest batching plant in terms of production capacity and the largest flake ice making capacity in the Hong Kong market, both such capacity being essential for producing high performance concrete.

REASONS FOR THE ACQUISITION

The China Resources Holdings group has identified the cement industry as one with considerable potential for profitable expansion in the PRC. The cement industry in the PRC is fragmented with many small producers and few large companies with significant market share. The China Resources Holdings group believes that the industry is likely to consolidate around a small number of major producers, operating modern large scale production facilities. It believes that the cement operations have the potential to become one such producer. In addition to the benefits that are expected to flow from the rationalisation and consolidation of the cement industry, the China Resources Holdings group expects that the continuing high rate of economic growth and capital investments in the PRC will result in continuing growth in the demand for cement, concrete and related building materials.

Given the close association between the Redland group and the cement industry and the Redland group's position as a purchaser of cement, it has been decided that it would be sensible for the Redland group, the cement operations and the PRC concrete operations to be held under a single listed holding company. This will eliminate any perceived conflicts of interest and consolidate all the operations of the China Resources Holdings group in cement, concrete and related products under the same listed holding company.

THE CEMENT OPERATIONS

Guangxi CR Cement Holding

Guangxi CR Cement Holding is an investment holding company and its principal asset is a 70.0% interest in Guangxi CR Cement, the principal activity of which is the production and sale of cement and related products under the trademark “紅水河” (Hongshuihe). Guangxi CR Cement is a sino foreign equity joint venture established on 24th December, 2001 in the PRC with a registered capital of RMB200.0 million, equivalent to approximately HK\$188.5 million, and an operation period of 50 years commencing from its date of establishment.

On 16th December, 2001, a joint venture agreement was entered into between Minmetals Holdings and Guangxi Hongshuihe Cement under which they agreed to invest RMB140.0 million and RMB60.0 million, equivalent to approximately HK\$132.0 million and approximately HK\$56.6 million, for a 70.0% and 30.0% interest in Guangxi CR Cement, respectively.

Guangxi CR Cement's principal products are grades #425 and #325 ordinary Portland cement, Portland cement, Portland blast furnace slag cement and composite Portland cement, most of which are used in high rise buildings and infrastructure projects. Guangxi CR Cement currently employs wet process rotary kilns for its clinker production.

Guangxi CR Cement's cement plant is located at 廣西壯族自治區賓陽縣黎塘鎮 (Li Tang Town, Bin Yang County, Guangxi ZAR, the PRC) and comprises an area of approximately 2,263,619.5 sq.m., equivalent to approximately 24,365,600 sq.ft.. The cement plant was first established in 1984 and currently consists of one crushing mill to process raw material, five wet process rotary kilns for the

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production of clinker and a grinding mill to process clinker into cement. It has an annual production capacity of approximately 1,200,000 tonnes of cement based on three shifts per day and 300 working days per annum. For the year ended 31st December, 2002, the amount of cement produced at the cement plant amounted to approximately 980,000 tonnes. As at 31st December, 2002, the plant employed a total of 1,083 full time staff.

Guangxi CR Cement and Profit Pool Holdings Limited, an independent third party, entered into a joint venture agreement dated 12th February, 2003, as amended on 9th April, 2003, under which Guangxi CR Cement and Profit Pool Holdings Limited agreed to invest HK\$2,896,800 and HK\$2,783,200 for a 51% and 49% interest in Zhanjiang China Resources Hongshuihe Cement Company Limited (“Zhanjiang CR Cement”), respectively. Zhanjiang CR Cement was formed with the purpose of operating a cement manufacturing plant with an annual production capacity of 200,000 tonnes in Zhanjiang, the PRC. Zhanjiang CR Cement commenced operation in April 2003.

For the period from 24th December, 2001 to 31st December, 2002, turnover of Guangxi CR Cement, primarily derived from the sale of #425 ordinary Portland cement, amounted to approximately RMB193.8 million, equivalent to approximately HK\$182.7 million. Gross profit and net profit for the period amounted to approximately RMB40.1 million and RMB7.4 million, equivalent to approximately HK\$37.8 million and HK\$7.0 million, respectively, representing a gross profit margin and net profit margin of approximately 20.7% and 3.8%, respectively.

Dongguan Cement Holding

Dongguan Cement Holding is an investment holding company and its principal assets are 70% interests in CR Cement Company and Dongguan Cement. CR Cement Company is a company incorporated in Hong Kong with limited liability on 25th January, 1994, the principal business of which is the trading of cement in Hong Kong. Dongguan Cement is a sino foreign equity joint venture established on 23rd May, 1994 in the PRC with an operation period of 30 years commencing from its date of establishment, the principal business of which is the production and sale of cement.

Dongguan Cement has a total registered capital of HK\$149.0 million. On 3rd June, 2003, Dongguan Cement Holding entered into an agreement with Dongguan Metals and Minerals for the acquisition of its 5% interest in each of Dongguan Cement and CR Cement Company for an aggregate consideration of HK\$4.8 million, payment for which is expected to be made shortly before the introduction in July 2003. Upon completion of such acquisition, which is expected to take place on or before the introduction in July 2003, Dongguan Cement and CR Cement Company will be owned as to 75.0% by Dongguan Cement Holding, as to 12.5% by Sumitomo Corporation and its associate and as to 12.5% by UBE Industries, Ltd..

Dongguan Cement’s principal products are #325 composite Portland cement, #425 ordinary Portland cement and #525 Portland cement and are sold under the trademark “東潤水泥” (Dongrun Shuini) for local sales in the PRC, “華潤水泥” (CRC Cement) which is mainly for export sales to Hong Kong and also recently “潤豐水泥” (Runfeng Shuini) for export sales to Hong Kong. Dongguan Cement’s plant is located in Shatian Town, Dongguan City, Guangdong province, the PRC and comprises an area of approximately 173,466.0 sq.m., equivalent to approximately 1,867,188 sq.ft.. The cement plant commenced production in May 1998. It has an annual production capacity of approximately 1,000,000 tonnes of cement based on three shifts per day and 300 working days per annum. For the three years ended 31st December, 2002, the amount of cement produced at the cement plant amounted to approximately 763,900 tonnes, 1,242,000 tonnes and 1,251,200 tonnes. As at 31st December, 2002, the plant employed a total of 239 full time employees.

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For the year ended 31st December, 2002, turnover of Dongguan Cement amounted to approximately HK\$324.1 million. Gross profit and net profit for the period amounted to approximately HK\$70.4 million and HK\$10.0 million, respectively, representing a gross profit margin and net profit margin of approximately 21.7% and 3.1%, respectively.

THE PRC CONCRETE OPERATIONS

Dongguan Concrete Holding

The principal activity of Dongguan Concrete Holding is investment holding and its principal asset is a 100% interest in Dongguan Concrete, whose principal business is the production and sale of ready mixed concrete. Dongguan Concrete is a wholly foreign owned enterprise established on 24th June, 2002 in the PRC with a registered capital of HK\$20.0 million. Dongguan Concrete's batching plant, newly established in January 2003, is located at 東莞市道滘鎮小河村小河工業園 (Xiaohe Industrial Park, Xiaohe Village, Daojiao Town, Dongguan City, the PRC) and comprises a site area of approximately 12,889.0 sq.m., equivalent to approximately 138,737 sq.ft., which comprises one fully automated production line, an office building and storage facilities for approximately 400 tonnes of cement, approximately 400 tonnes of ash and approximately 50,000 litres of water. The directors of Dongguan Concrete estimate that the batching plant has an annual production capacity of approximately 300,000 cubic metres. As at 31st December, 2002, Dongguan Concrete employed a total of 3 full time employees. For the period from 24th June, 2002 to 31st December, 2002, Dongguan Concrete did not record any turnover as production had not commenced during this period.

Shenzhen Concrete Holding

The principal activity of Shenzhen Concrete Holding is investment holding and its principal asset is a 70% beneficial interest in Shenzhen Concrete, whose principal business is the production and sale of ready mixed concrete. Shenzhen Concrete was established as a limited liability company on 26th March, 2002 in the PRC with a registered capital of RMB25.0 million, equivalent to approximately HK\$23.6 million. Shenzhen Concrete currently operates a batching plant which commenced production of ready mixed concrete in May 2002 and located at 深圳市福田區梅林檢查站西南側 (the southwest corner adjacent to the Meilin Inspection Station, Futian District, Shenzhen City, the PRC) and built on a site area of approximately 8,162.0 sq.m., equivalent to approximately 87,856 sq.ft. Shenzhen Concrete's batching plant is equipped with two production lines, six concrete mixer trucks imported from Japan, 15 concrete mixer trucks manufactured in the PRC and on site storage facilities for approximately 1,000 tonnes of cement and ash. It has an annual production capacity of approximately 500,000 cubic metres of different types of concrete with total production volume during the year ended 31st December, 2002 amounted to approximately 253,000 cubic metres. As at 31st December, 2002, Shenzhen Concrete employed a total of 110 full time employees. For the period from 26th March, 2002 to 31st December, 2002, turnover amounted to approximately RMB66.4 million, equivalent to approximately HK\$62.6 million. Gross profit and net profit for the period amounted to approximately RMB16.3 million and RMB4.5 million, equivalent to approximately HK\$15.4 million and HK\$4.2 million, respectively, representing a gross profit margin and net profit margin of approximately 24.6% and 6.7%, respectively.

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FUTURE PLANS AND PROSPECTS

The enlarged group's objective is to expand the strategic geographic coverage of its operations and to become the leading value added provider of cement and concrete and related products and services in the Hong Kong and the PRC markets. The cement industry is capital intensive. The significant costs involved, and the need to comply with stringent regulatory requirements when building new cement plants also mean future acquisitions are expected to be a major element of the enlarged group's growth strategy. In addition to acquiring businesses in its existing and new markets as a measure of the enlarged group to reduce its substantial reliance on the construction industry in Hong Kong, the enlarged group plans to implement a strategy aimed at increasing revenue growth and market share through horizontal expansion, achieving cost efficiencies and enhancing profitability through vertical integration. In order to accomplish these plans, the enlarged group intends to:

- focus on growth through future acquisitions;
- expand and enhance the enlarged group's production volume;
- improve its marketing and sales network; and
- improve production efficiency by employing advanced technology to achieve greater cost efficiencies.

RISK FACTORS

The directors consider that there are certain risks involved in the business of the enlarged group, which include those set out in the section headed "Risk factors" in this prospectus. These risks can be categorised as follows:

Risks relating to the enlarged group

- risks relating to the acquisition;
- risks relating to growth strategy;
- significant capital and finance requirements;
- fluctuation of profit;
- non inclusion of a profit forecast for the year ending 31st December, 2003;
- seasonal effects on sales;
- product claims;
- cost of raw materials;
- dependence on key management;
- dependence on major suppliers;
- insurance coverage;
- risks relating to production facilities of the enlarged group in Hong Kong;
- risks relating to production facilities of the enlarged group in the PRC;
- trademarks infringement by third parties;
- dividend policy;
- preferential tax treatment; and
- prescribed export sales percentage.

Risks relating to the concrete industry in Hong Kong

- competition; and
- environmental protection.

Risks relating to the cement industry in the PRC

- competition; and
- environmental protection.

Risks relating to the concrete industry in the PRC

- competition; and
- environmental protection.

Risks relating to political and economic considerations

Risks relating to the PRC

- laws and regulations;
- economic conditions in the PRC; and
- currency conversion and exchange rate risks.

Risks relating to Hong Kong

- political and economic factors.

Risks relating to reliability of statistics

Recent outbreak of SARS

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TRADING RECORD

A summary of the pro forma combined results of the group for each of the three years ended 31st December, 2002, which is extracted from the accountants' report in appendix I to this prospectus, is set out as follows:

| | Notes | Year ended 31st December, | | |
|-------------------------------------|-------|---------------------------|------------------|------------------|
| | | 2000 HK\$'000 | 2001 HK\$'000 | 2002 HK\$'000 |
| Turnover | 1 | 853,395 | 666,355 | 391,479 |
| Cost of sales | | <u>(460,696)</u> | <u>(360,182)</u> | <u>(246,851)</u> |
| Gross profit | | 392,699 | 306,173 | 144,628 |
| Other operating income | | 8,779 | 6,314 | 17,841 |
| Selling and distribution expenses | | (79,000) | (72,905) | (52,292) |
| General and administrative expenses | | <u>(81,682)</u> | <u>(76,881)</u> | <u>(48,281)</u> |
| Profit from operations | | 240,796 | 162,701 | 61,896 |
| Finance costs | | (5,217) | (3,034) | (2,244) |
| Share of results of associates | | <u>10,912</u> | <u>8,562</u> | <u>3,962</u> |
| Profit before taxation | | 246,491 | 168,229 | 63,614 |
| Taxation | | <u>(45,713)</u> | <u>(27,390)</u> | <u>(10,308)</u> |
| Net profit for the year | | <u>200,778</u> | <u>140,839</u> | <u>53,306</u> |
| Dividend | 2 | <u>—</u> | <u>525,000</u> | <u>—</u> |
| Earnings per share — basic (cents) | 3 | <u>96.5</u> | <u>67.7</u> | <u>25.6</u> |

Notes:

1. Turnover represents the net amount of sales of concrete and related products.
2. During each of the three years ended 31st December, 2002, a subsidiary of the group declared and paid dividend to its then shareholders as follows:

| | Year ended 31st December, | | |
|---|---------------------------|------------------|------------------|
| | 2000 HK\$'000 | 2001 HK\$'000 | 2002 HK\$'000 |
| Dividend declared and paid by Innovative Market | <u>—</u> | <u>525,000</u> | <u>—</u> |

The rate of dividend per share and the number of shares ranking for dividends are not presented as such information is not meaningful.

3. The calculation of basic earnings per share for each of the three years ended 31st December, 2002 is based on the pro forma combined net profit of the group for each of the three years ended 31st December, 2002 and on the assumption that approximately 208,040,521 shares were deemed to have been in issue and issuable during the three years ended 31st December, 2002, with reference to 2,080,405,215 China Resources Enterprise shares in issue as at the latest practicable date. Two shares were in issue as at the latest practicable date.

There was no potential dilutive shares in issue during the three years ended 31st December, 2002 and, therefore, diluted earnings per share is not presented.

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Pro forma combined results of the enlarged group

To provide additional financial information, the pro forma combined results of the enlarged group for each of the three years ended 31st December, 2002 have been prepared based on the historical financial information of the group and the acquired companies for each of the three years ended 31st December, 2002, which have been extracted from the accountants' report of the group as set out in appendix I to this prospectus and the respective accountants' reports of the acquired companies as set out in appendices II, III, IV and V to this prospectus, after taking into account of the pro forma adjustments as described in the notes as set out in appendix VI as if the acquired companies had been held by the company since 1st January, 2000, or their respective dates of incorporation or establishment, whichever is later.

The pro forma combined results of operations of the enlarged group presented below do not purport to present what the results of operations would actually have been if the acquired companies had been held by the company since 1st January, 2000, or to project the results of operations for any future period and are included for information purposes only.

The pro forma combined results of the enlarged group should be read in conjunction with the historical financial information of the group, the acquired companies and other financial information included elsewhere in this prospectus.

| | <i>Notes</i> | For the year ended 31st December, | | |
|---|--------------|--|-----------------------|----------------------|
| | | 2000 | 2001 | 2002 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | 1 | 996,920 | 915,392 | 899,450 |
| Cost of sales | | <u>(571,037)</u> | <u>(539,019)</u> | <u>(631,686)</u> |
| Gross profit | | 425,883 | 376,373 | 267,764 |
| Other operating income | | 13,162 | 15,371 | 30,087 |
| Selling and distribution expenses | | (86,145) | (79,941) | (81,607) |
| General and administrative expenses | | (96,164) | (95,926) | (93,572) |
| Impairment loss in respect of goodwill arising on acquisition of additional interests in subsidiaries | | (3,236) | — | (557) |
| Negative goodwill arising on acquisition of additional interest in a subsidiary realised | | <u>—</u> | <u>—</u> | <u>919</u> |
| Profit from operations | | 253,500 | 215,877 | 123,034 |
| Finance costs | | (29,307) | (31,722) | (29,081) |
| Share of results of associates | | <u>10,912</u> | <u>8,562</u> | <u>3,962</u> |
| Profit before taxation | | 235,105 | 192,717 | 97,915 |
| Taxation | | <u>(45,713)</u> | <u>(27,390)</u> | <u>(11,371)</u> |
| Profit before minority interests | | 189,392 | 165,327 | 86,544 |
| Minority interests | | <u>11,175</u> | <u>(4,981)</u> | <u>(8,801)</u> |
| Net profit for the year | | <u><u>200,567</u></u> | <u><u>160,346</u></u> | <u><u>77,743</u></u> |
| Dividend | 2 | <u><u>—</u></u> | <u><u>525,000</u></u> | <u><u>3,299</u></u> |
| Earnings per share — basic (cents) | 3 | <u><u>55.3</u></u> | <u><u>44.2</u></u> | <u><u>21.4</u></u> |

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Notes:

1. Turnover represents the net amount of sales of cement, concrete and related products.
2. During each of the three years ended 31st December, 2002, the subsidiaries of the enlarged group declared dividend to its then shareholders as follows:

| | Year ended 31st December, | | |
|-------------------------------|---------------------------|----------------|--------------|
| | 2000 | 2001 | 2002 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Dividend declared and paid by | | | |
| — Innovative Market | — | 525,000 | — |
| Dividend declared by | | | |
| — Guangxi CR Cement | — | — | 3,299 |
| | <u>—</u> | <u>—</u> | <u>3,299</u> |
| | <u>—</u> | <u>525,000</u> | <u>3,299</u> |

The rate of dividend per share and the number of shares ranking for dividends are not presented as such information is not meaningful.

3. The calculation of basic earnings per share for each of the three years ended 31st December, 2002 is based on the pro forma combined net profit of the enlarged group for each of the three years ended 31st December, 2002 and on the assumption of a total of approximately 362,787,521 shares in issue immediately after the distribution and the issue of approximately 154,747,000 shares for the acquisition, with reference to 2,080,405,215 China Resources Enterprise shares in issue as at the latest practicable date. The calculation takes no account of any shares to be issued under the share option scheme of the company nor any shares to be issued or purchased by the company pursuant to its general mandates.
4. **The enlarged group will be formed after completion of the group reorganisation and the acquisition, details of which are set out in the sections headed “Group reorganisation” and “Acquisition” in this prospectus, and comprises the company, Innovative Market and its subsidiaries and the acquired companies and their subsidiaries, and the results of the enlarged group will be accounted for under acquisition accounting in its first set of financial statements prepared immediately after completion of the group reorganisation and the acquisition, as the respective effective shareholding interests of the ultimate shareholders in the company will be different after completion of the group reorganisation and the acquisition.**

DIVIDEND POLICY

The group has consistently paid dividends to its shareholders since China Resources Enterprise acquired the Redland group in 1997. During the five years ended 31st December, 2002, Redland Holdings declared and paid a dividend amounted to HK\$80 million, HK\$220 million, HK\$269 million, HK\$140 million and HK\$44 million, respectively, based on its net profits of approximately HK\$186 million, HK\$202 million, HK\$201 million, HK\$141 million and HK\$53 million, respectively. Any dividend paid by Redland Holdings attributable to the China Resources Enterprise group has been retained in the account of Innovative Market and Innovative Market has not declared or paid any dividends other than a dividend in an amount of HK\$525 million which was declared on 31st December, 2001 in recognition of China Resources Enterprise's successful investment in the Redland group. Such dividend was declared by Innovative Market as part of the internal control mechanism of the China Resources Enterprise group at the time when Redland Concrete had no plan to expand its operation outside Hong Kong through any acquisitions. The effect of the dividend of HK\$525 million was partially offset against the repayment of an amount due from a fellow subsidiary of Innovative Market of approximately HK\$456 million as at 31st December, 2000. As a result of such offset arrangement, only an amount of HK\$69 million was actually paid in cash. Accordingly, the dividend payment did not have any material impact on the group's working capital position and funding

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capacity for future plans as the dividend payment represented the excess cash of the group accumulated over the last five years. Therefore, the directors consider the dividend of HK\$525 million declared by Innovative Market was appropriate at the time of declaration. As the consideration for the acquisition shall be satisfied by the issue of the shares, the directors consider the declaration of the dividend would not have any material impact on the enlarged group's working capital position.

In the future, any declaration of dividends of the company is subject to the discretion of the directors. The amounts of dividends actually paid to the shareholders will depend upon a number of factors, including the company's earnings, the future capital requirements of the enlarged group, the required distributable reserve for payment of such dividends, its general financial condition, the provisions of relevant laws and any other factors considered relevant by the directors. As part of an overall dividend policy of the company, the company intends to adopt a long term dividend payout ratio of approximately 20% to 25% subject to the financial performance of the company and availability of funds in view of the growth strategy of the enlarged group through acquisitions and investments. In view of the anticipated capital expenditure of the enlarged group for the second half of 2003, the directors do not intend to recommend any interim or final dividend for the year ending 31st December, 2003.

Key financial information

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|--|----------|
| Pro forma combined net tangible asset value of the group per share as at 31st December, 2002 (<i>Note 1</i>) | HK\$2.20 |
| Pro forma combined adjusted net tangible asset value of the enlarged group per share as at 30th April, 2003 (<i>Note 2</i>) | HK\$2.34 |

Notes:

1. The pro forma combined net tangible asset value of the group per share is arrived at with reference to the pro forma combined net tangible asset value of the group as at 31st December, 2002 on the assumption of approximately 208,040,521 shares in issue immediately after the distribution but before the acquisition and the introduction, with reference to 2,080,405,215 China Resources Enterprise shares in issue as at the latest practicable date. The calculation takes no account of any shares to be issued under the share option scheme of the company nor any shares to be issued or purchased by the company pursuant to its general mandates.
2. The pro forma combined adjusted net tangible asset value of the enlarged group per share is arrived at after making the adjustments referred to in the paragraph headed "Statement of pro forma combined adjusted net tangible assets of the enlarged group" under the section headed "Financial information" of this prospectus and on the basis of a total of approximately 362,787,521 shares in issue immediately after the distribution and the issue of approximately 154,747,000 shares for the acquisition, with reference to 2,080,405,215 China Resources Enterprise shares in issue as at the latest practicable date. The calculation takes no account of any shares to be issued under the share option scheme of the company nor any shares to be issued or purchased by the company pursuant to its general mandates.