

Immediately following the completion of the introduction, China Resources Holdings will hold approximately 74.5% of the enlarged issued share capital of the company. China Resources Holdings has indicated that it intends to hold its interest in the company as a long term investment. Under the Listing Rules, China Resources Holdings is not permitted to dispose of its shareholding interest for a period of six months from the date on which dealings in the shares of the company commence on the Stock Exchange. In addition, during the subsequent six month period, China Resources Holdings must not dispose of the shares if, immediately following such disposal, China Resources Holdings would cease to be a controlling shareholder as defined under the Listing Rules.

In relation to the listing of the shares on the Main Board, China Resources Holdings has undertaken in favour of the company that for so long as China Resources Holdings and its associates are beneficially interested, directly or indirectly, whether individually or taken together, in 30% or more of the issued share capital of the company:

- neither China Resources Holdings nor any of its subsidiaries shall participate in any future investment or business opportunity which have been identified by or offered to China Resources Holdings or any of its subsidiaries and which are in competition, directly or indirectly, with the principal business of the enlarged group in any regions in which the enlarged group operates, unless such investment or business opportunity has first been offered to the company on the same terms (or better) as such investment or business opportunity were offered to China Resources Holdings and, or, its subsidiaries, and, or, China Resources Holdings shall use its best endeavours to procure that the offer will be extended to the company on no less favourable terms, and any such offer shall have been subsequently declined by an independent board committee of the company, which comprises the independent non executive directors of the company, after a reasonable time shall have been afforded to such independent board committee for considering such opportunity; and
- if a new investment or business opportunity has been offered by a third party, and has been declined by the enlarged group, neither China Resources Holdings nor any of its subsidiaries shall acquire or otherwise participate in such investment or business opportunity except on terms no more favourable than those offered to the enlarged group.

For the purpose of assisting the enlarged group and, or, the independent board committee of the company to consider such offers, China Resources Holdings undertakes that it will provide all such information as the enlarged group and, or, the independent board committee of the company shall reasonably require to be able to make a proper assessment of the relevant investment or business opportunity. The above undertakings, however, do not prevent China Resources Holdings or its subsidiaries from investing in or having holding not more than 10% of the share capital or voting rights of any company listed on the Stock Exchange or any other stock exchange.

Minmetals Holdings, a wholly owned subsidiary of China Resources Holdings, entered into a memorandum of understanding with Guangxi Yu Feng Group Company Limited (廣西魚峰集團有限公司) (together with its subsidiaries, “Yu Feng”) on 28th April, 2003, for a possible acquisition from Yu Feng of a 70% equity in Guangxi Ping Nan Yu Feng Cement Company Limited (廣西平南魚峰水泥有限公司), a company established on 20th May, 2002 for the purpose of engaging in cement production in Ping Nan, Guangxi ZAR (the “Ping Nan Joint Venture”). The remaining 30% interest in the Ping Nan Joint Venture shall continue to be held by Yu Feng. According to the information provided by Yu Feng, the current registered capital of Ping Nan Joint Venture is RMB217.7 million, equivalent to approximately HK\$205.2 million. The Ping Nan Joint Venture has not yet commenced production.

Upon listing of the shares, the primary focus of the enlarged group is to integrate the newly acquired concrete and cement operations in the PRC with the operation of the Redland group and formalise a long term development plan for the enlarged group. As Minmetals Holdings only signed a letter of intent with Yu Feng, there is no guarantee that the investment opportunity in the Ping Nan Joint Venture will materialize. It is also not certain at this stage whether such investment will fit into the eventual strategic development plan of the enlarged group. Accordingly, the company has decided, pursuant to a resolution passed by two independent non executive directors at the board meeting of the company held on 20th June, 2003, not to exercise the first right of refusal with respect to participation in this investment opportunity. However, the option detailed below will allow the enlarged group additional time to evaluate this investment opportunity and its implications on the overall strategic plan of the enlarged group.

The company entered into an option deed with China Resources Holdings on 20th June, 2003, pursuant to which a call option is granted to the company by China Resources Holdings which provides the company with the right to call for the transfer to it or its nominees, all or any part of the 70% interest in the Ping Nan Joint Venture if such interest are being acquired by China Resources Holdings or its nominees, at the original investment costs of China Resources Holdings or its nominees plus interest at 0.5% above HIBOR accruing from the period commencing on the respective dates of payment of such investment (whether in the form of capital contribution or shareholders' loans) up to the date of such transfer, such option being exercisable for a period of twelve months from the commencement of commercial production of the Ping Nan Joint Venture which is currently expected to be in the first half of year 2005 based on the information provided by Yu Feng. Where the company decides not to exercise the option within the said option period, such decision to be made pursuant to a board resolution passed by the independent non executive directors of the company, the company shall have a first right of refusal at any time when China Resources Holdings or its nominees wishes to dispose of all or any part of its interest in the Ping Nan Joint Venture.

In the event that China Resources Holdings or its nominees decides to participate in the Ping Nan Joint Venture and the company decides not to exercise its call option, China Resources Holdings will be engaged in similar business which will compete or is likely to compete, directly or indirectly, with the business of the enlarged group. If the company decides to exercise its call option, it will satisfy all the then relevant requirements under the Listing Rules. The directors consider that the exercise or non-exercise of the option and any related financial arrangements will have to depend on, amongst other things, the financial position of the company and the condition of the capital market at the time, accordingly, the directors currently do not have a decision on the matter. If the company does not exercise the option, the company will publish an announcement to explain the reasons for such decision and the opinion of the independent non executive directors of the company.

The China Resources Holdings group is one of the Hong Kong's largest commercial enterprises. China Resources Holdings is a subsidiary of China Resources National Corporation (中國華潤總公司), a state owned enterprise in the PRC. The core businesses of the China Resources Holdings group, including China Resources Enterprise and its fellow listed subsidiaries, China Resources Land Limited and China Resources Logic Limited, comprise retail chain operation, consumer goods manufacturing, logistics, brewing, construction, property development and investment in Hong Kong, the PRC and elsewhere, and has investment interests in electric utility, insurance, telecommunications and infrastructure development projects. The directors believe that such interests will not constitute material competition to those of the enlarged group to the extent that there could be a conflict between China Resources Holdings' interest and those of the general body of the shareholders of the company.

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## RELATIONSHIP WITH CHINA RESOURCES HOLDINGS

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The business of the enlarged group and other members of China Resources Holdings are different and separate. Following the listing, the company will be managed by six executive directors and six non executive directors. Mr. Qiao Shibo, an executive director, Mr. Ning Gaoning and Mr. Jiang Wei, both being non executive directors, are also executive directors of China Resources Holdings.