
CONNECTED TRANSACTIONS

The enlarged group has transactions with connected persons described as below. These transactions have been, or will be, carried out in the ordinary and usual course of business and on normal commercial terms and are expected to continue in the foreseeable future:

- A. The following connected transactions are included herein for information only and are not subject to any shareholders' approval under rule 14.25 and will be carried out in the ordinary course of the enlarged group's business, on an arm's length basis and on normal commercial terms that are fair and reasonable:**

i. *Purchases of aggregates*

On 3rd September, 1999, the Redland group entered into an aggregates supply agreement with Wygetta Quarry, a company which is owned as to approximately 80.0% by Mr. Howard Chan, a former director of Redland Concrete who resigned on 11th November, 2002 and therefore a connected person of the company under the Listing Rules. On 11th November, 2003, this transaction will cease to be a connected transaction of the company. Under the agreement, the Redland group agreed to purchase crushed aggregates produced at Hung Wan Quarry in Zhuhai which the Redland group requires for the production of concrete products. The supply agreement was entered into for the purposes of ensuring a stable price and steady supply of quality stone aggregates.

The agreement is for a period of 10 years commencing from 1st September, 1999. The price for the aggregates is HK\$39 per tonne under the supply agreement and will be subject to adjustment with the ex quarry prices for such aggregates as published by Members of Hong Kong Contract Quarry Association and is currently fixed at HK\$32.7 per tonne of crushed aggregates. This pricing basis was negotiated on an arm's length basis between the Redland group and Wygetta Quarry by reference to the market conditions. The directors consider such pricing basis to be fair and reasonable so far as the company is concerned.

During the three years ended 31st December, 2002, the cost of aggregates purchased by the group from Wygetta Quarry amounted to approximately HK\$64.0 million, HK\$30.7 million and HK\$9.2 million, respectively. A substantial decrease in the amount of purchase by the group from Wygetta Quarry was due to the fact that the Redland group started to source aggregates from another supplier in 2002. The directors confirm that the prices and terms upon which the aggregates are supplied by Wygetta Quarry to the group are on normal commercial terms and are on terms comparable to the prevailing market rates or practices. The directors expect that the maximum annual amount of purchase of aggregates from Wygetta Quarry by the enlarged group under the above arrangement will not exceed 3.0% of the enlarged group's consolidated net tangible asset for the period between the listing date to 11th November, 2003.

ii. *Fuel, diesel and lubricant oil purchasing agreement*

Dongguan Cement, which will be a 75% owned subsidiary of the enlarged group upon completion of the acquisition and the acquisition of a further 5% interest from Dongguan Metals and Minerals, purchases fuel from 深圳市華潤石油有限公司 (Shenzhen China Resources Petroleum Company Limited), a subsidiary of China Resources Enterprise. The aggregate consideration paid for purchases from this subsidiary of China Resources Enterprise for the three years ended 31st December, 2002 were approximately HK\$1.8

million, HK\$2.3 million and HK\$3.6 million respectively. The directors confirm that the prices and terms of the said purchases are on normal commercial terms and are comparable to the prevailing market rates or practices.

Shenzhen Concrete, being 70% beneficially owned by the enlarged group upon completion of the acquisition, purchases diesel and lubricant oil from 深圳華潤特種油劑有限公司 (CRC Special Oil Company Limited), a subsidiary of China Resources Enterprise. The aggregate consideration paid for purchases from 深圳華潤特種油劑有限公司 (CRC Special Oil Company Limited) for the period from 26th March, 2002, being the date of establishment of Shenzhen Concrete, to the year ended 31st December, 2002 was approximately RMB39,000, equivalent to approximately HK\$37,000. The directors confirm that the prices and terms of the said purchases are on normal commercial terms and are comparable to the prevailing market rates or practices.

The directors expect that the annual amount of purchase of fuel, diesel and lubricant oil of the enlarged group from such subsidiaries of China Resources Enterprise will be less than HK\$10.0 million for any relevant financial year based on the amounts of purchases from such subsidiaries of China Resources Enterprise for the three years ended 31st December, 2002.

iii. Sale of cement to Sumitomo Corporation or its associates

Dongguan Cement has been selling cement products to Sumitomo (Guangzhou) Corporation Ltd., a subsidiary of Sumitomo Corporation. Upon completion of the acquisition and the acquisition of a further 5% interest from Dongguan Metals and Minerals, Dongguan Cement will be a 75% owned subsidiary of the enlarged group. Sumitomo Corporation is a substantial shareholder of Dongguan Cement and is accordingly a connected person of the company under the Listing Rules. The directors expect that upon completion of the acquisition and the introduction, the enlarged group would continue its sales of cement products to Sumitomo Corporation or its associates. For the three years ended 31st December, 2002, the aggregate amount of sales to Sumitomo (Guangzhou) Corporation Ltd. and Sumitomo Corporation (Hong Kong) Ltd. by the enlarged group amounted to approximately HK\$1.6 million, HK\$3.5 million and HK\$5.3 million respectively.

The selling price was negotiated on an arm's length basis between Sumitomo Corporation and its associates and the enlarged group which the directors consider to be fair and reasonable so far as the company is concerned. The directors expect that the annual sales of cement products to Sumitomo Corporation and its associates will be less than HK\$10.0 million.

iv. Sale of cement by Zhanjiang China Resources Hongshuihe Cement Company Limited ("Zhanjiang CR Cement")

On 12th February, 2003, Guangxi CR Cement entered into a joint venture agreement with Profit Pool Holdings Limited regarding the establishment of Zhanjiang CR Cement, which is owned as to 51% by Guangxi CR Cement and 49% by Profit Pool Holdings Limited. Profit Pool Holdings Limited agreed to procure its subsidiary to purchase all its demand for a certain type of cement at RMB248 per tonne (subject to adjustment in the event of intense market fluctuation) from Zhanjiang CR Cement. Upon completion of the acquisition, Zhanjiang CR Cement will be a 51% owned subsidiary of Guangxi CR Cement and Profit

Pool Holdings Limited is a substantial shareholder of Zhanjiang CR Cement and therefore, a connected person of the company under the Listing Rules. The directors expect that upon completion of the acquisition and the introduction, Zhanjiang CR Cement would continue its sales of cement to Profit Pool Holdings Limited and, or, its associates.

The selling price was negotiated on an arm's length basis between Profit Pool Holdings Limited and Zhanjiang CR Cement which the directors consider to be fair and reasonable so far as the company is concerned. It is expected that the maximum annual sales of cement to Profit Pool Holdings Limited and, or, its associates from Zhanjiang CR Cement under the above arrangement will be less than HK\$10.0 million.

v. *Sale of cement to Dongguan Redland Precast Concrete Products Limited ("Dongguan Precast")*

Dongguan Cement has been selling cement products to Dongguan Precast, a wholly foreign owned enterprise established in the PRC and a wholly owned subsidiary of Redland Precast. Redland Precast is an associated company of the enlarged group and is a connected person of the company under the Listing Rules by virtue of the fact that Mr. Howard Chan, a former director of Redland Concrete who resigned on 11th November, 2002, owns and controls Grand Max which holds 50% interest in Redland Precast. This will cease to be a connected transaction on 11th November, 2003. The directors expect that upon completion of the acquisition and the introduction, the enlarged group would continue its sales of cement products to Redland Precast and its associates. For the three years ended 31st December, 2002, the aggregate amount of sales of cement to Redland Precast and its associates by Dongguan Cement amounted to approximately RMBnil, RMBnil and RMB2.0 million, equivalent to approximately HK\$nil, HK\$nil and HK\$1.8 million respectively.

The selling price was negotiated on an arm's length basis between Redland Precast and its associates and the enlarged group which the directors consider to be fair and reasonable so far as the company is concerned. The directors expect that the annual sale of cement products to Redland Precast and its associates will be less than HK\$10.0 million.

vi. *Provision of testing services*

Quality Control Consultants will, upon completion of the acquisition, continue to provide testing services to China Resources Construction Company Limited and Strong Progress Limited, both of which are subsidiaries of China Resources Holdings, and are therefore connected persons to the enlarged group under the Listing Rules. In addition, Quality Control Consultants will, upon completion of the acquisition and the introduction, continue to provide testing services to Redland Precast. Redland Precast is an associated company of the enlarged group and is a connected person of the company under the Listing Rules by virtue of the fact that Mr. Howard Chan, a former director of Redland Concrete who resigned on 11th November, 2002, owns and controls Grand Max which holds 50% interest in Redland Precast. This will cease to be a connected transaction on 11th November, 2003. During the three years ended 31st December, 2002, the total amount of testing fees paid to the group by China Resources Construction Company Limited amounted to approximately HK\$596,000, HK\$400,000 and HK\$981,000 respectively. During the three years ended 31st December, 2002, the total amount of testing fees paid to the group by Strong Progress Limited amounted to approximately HK\$29,000, HK\$28,000 and HK\$19,000 respectively. During the three years ended 31st December, 2002, the total amount of testing fees paid to the group by Redland Precast amounted to approximately

HK\$1.4 million, HK\$1.2 million and HK\$1.8 million respectively. During the three years ended 31st December, 2002, the aggregate annual testing fees payable to the enlarged group by China Resources Construction Company Limited, Strong Progress Limited and Redland Precast amounted to approximately HK\$2.0 million, HK\$1.6 million and HK\$2.8 million respectively. The directors confirm that the prices and terms of the said supply of testing services are on normal commercial terms and are comparable to the prevailing rates or practices.

It is expected that the aggregate maximum annual testing fees payable to the enlarged group by China Resources Construction Company Limited, Strong Progress Limited and Redland Precast in relation to the above services will be less than HK\$10.0 million.

vii. *Service agreements with Guangxi Hongshuihe Cement and associates*

Guangxi CR Cement has entered into a number of service agreements with subsidiaries of Guangxi Hongshuihe Cement detailed as follows. Guangxi Hongshuihe Cement is a substantial shareholder of Guangxi CR Cement and therefore a connected person of the company under the Listing Rules.

Raw material unloading labour service agreement

On 29th March, 2002, Guangxi CR Cement entered into a service agreement with a subsidiary of Guangxi Hongshuihe Cement regarding the provision of labour forces for unloading coal and raw materials from locomotives as this would provide a more reliable source of labour to Guangxi CR Cement. This service agreement had a term of one year and has been renewed from 1st April, 2003 for another year. The consideration is calculated on the basis of the amount of coal and raw materials unloaded. This agreement is renewable on expiry and the parties intend to renew the agreement, save for a change in circumstances or failure to agree on the renewed service fee.

Cement product loading labour service agreement

On 1st May, 2003, Guangxi CR Cement entered into a service agreement with a subsidiary of Guangxi Hongshuihe Cement regarding the provision of labour forces for loading of cement products onto locomotives as this would provide a more reliable labour force to Guangxi CR Cement. This service agreement has a term of one year from 1st May, 2003 and will expire on 30th April, 2004. The consideration is calculated on the basis of the amount of cement products loaded. This agreement is renewable on expiry and the parties intend to renew the agreement, save for a change in circumstances or failure to agree on the renewed service fee.

Printing service agreement

On 1st January, 2003, Guangxi CR Cement entered into a printing service agreement with a subsidiary of Guangxi Hongshuihe Cement regarding the printing of various forms with company logo as it is more economical to outsource this service. This service agreement is due to expire on 31st December, 2003. The consideration is calculated on the basis of number of pages printed. This agreement is renewable on expiry and the parties intend to renew the agreement, save for a change in circumstances or failure to agree on the renewed service fee.

Limestone crushing service agreement

On 29th March, 2002, Guangxi CR Cement entered into a service agreement with a subsidiary of Guangxi Hongshuihe Cement regarding the crushing of limestone which is rich in magnesium oxide as this would provide Guangxi CR Cement with a more reliable crushing services for such large volume of limestone. This service agreement had a term of seven months from 1st April, 2002 to 31st October, 2002. Despite the expiry of the agreement, the parties are still carrying on the arrangement on the same normal commercial terms. The consideration is calculated based on the amount of limestone crushed. This agreement is renewable on expiry and the parties intend to renew the agreement, save for a change in circumstances or failure to agree on the renewed service fee.

Catering service agreement

On 24th June, 2002, Guangxi CR Cement entered into a catering service agreement with Guangxi Hongshuihe Cement regarding the provision of catering service to the staff of Guangxi CR Cement's plant as it is more economical to outsource this service. The service agreement was renewed on 28th December, 2002 and is due to expire on 30th June, 2003. The consideration is based on the number of meals provided.

Both Guangxi CR Cement and Guangxi Hongshuihe Cement intend to renew the agreement every six months, save for a change in circumstances or failure to agree on the renewed service fee.

The directors confirm that the prices and terms upon which these services are supplied to the enlarged group are normal commercial terms. It is the intention of the enlarged group to continue with the transactions under the various abovementioned service agreements and to renew these service agreements on expiry on normal commercial terms. The aggregate consideration payable for all such services for the period from 24th December, 2001 to 31st December, 2002 was approximately RMB1.2 million, equivalent to approximately HK\$1.1 million. The directors expect that the annual aggregate consideration payable for these services will be less than HK\$10.0 million for any relevant financial year.

B. The following connected transactions are subject to shareholders' approval in general meetings under rule 14.26 upon listing of the company:

i. *Sale of concrete to China Resources Construction Company Limited and China Resources Construction Corp.*

The Redland group has been selling concrete to China Resources Construction Company Limited, which is a subsidiary of China Resources Holdings, in its normal course of business. The directors expect that upon completion of the acquisition and the introduction, the enlarged group would continue its sale of concrete to China Resources Construction Company Limited. For the three years ended 31st December, 2002, the amount of sales to China Resources Construction Company Limited by the group amounted to approximately HK\$41.9 million, HK\$23.7 million and HK\$19.0 million, representing approximately 4.2%, 2.6% and 2.1% of the total sales of the unaudited pro forma combined profit and loss accounts of the enlarged group, respectively.

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Shenzhen Concrete, being 70% beneficially owned by the enlarged group upon completion of the acquisition, has been selling concrete to China Resources Construction Corp., a subsidiary of China Resources National Corporation, the indirect controlling shareholder of the company, in its ordinary course of business. The directors expect that upon completion of the acquisition and the introduction, Shenzhen Concrete would continue to sell concrete to China Resources Construction Corp. For the period from 26th March, 2002 to 31st December, 2002, the amount of sales to China Resources Construction Corp. by Shenzhen Concrete amounted to approximately RMB8.0 million, equivalent to approximately HK\$7.6 million, representing approximately 0.8% of the total sales of the unaudited pro forma combined profit and loss accounts of the enlarged group.

The selling price was negotiated on an arm's length basis between China Resources Construction Company Limited or China Resources Construction Corp. (as the case may be) and the enlarged group which the directors consider to be fair and reasonable so far as the company is concerned. It is expected that the maximum annual sales of concrete to China Resources Construction Company Limited or China Resources Construction Corp. (as the case may be) from the enlarged group under the above arrangement will not exceed 5% of the total sales of the enlarged group for any relevant financial year for the three years ending 31st December, 2005. The cap has been set on the following basis:

- in order to account for the business cycle of the Hong Kong concrete industry, the directors use an average number of approximately 2.7% on the sales of concrete to China Resources Construction Company Limited by the Redland group as a percentage to the total sales of the unaudited pro forma combined profit and loss accounts of the enlarged group for each of the three years ended 31st December, 2002;
- an annualised percentage of sales of concrete by Shenzhen Concrete to China Resources Construction Corp. as compared to the pro forma total sales of the enlarged group for the year ended 31st December, 2002 of approximately 1%;
- the directors expect that the demand for concrete will gradually increase due to steady growth in the Shenzhen construction industry and the possible recovery of the construction industry in Hong Kong in the next few years; and
- there being no significant fluctuation in the selling price for concrete.

ii. *Sale of concrete to 中鐵建廠工程局深圳實業公司 (Zhong Tie Jian Chang Construction Department Shenzhen Industrial Company) and its associates*

Shenzhen Concrete, which will be 70% beneficially owned by the enlarged group upon completion of the acquisition, has been selling concrete in its normal course of business to 中鐵建廠工程局深圳分公司 (Zhong Tie Jian Chang Construction Department Shenzhen Branch Company), a fellow subsidiary of 中鐵建廠工程局深圳實業公司 (Zhong Tie Jian Chang Construction Department Shenzhen Industrial Company), a substantial shareholder of Shenzhen Concrete. Under the Listing Rules, 中鐵建廠工程局深圳分公司 (Zhong Tie Jian Chang Construction Department Shenzhen Branch Company) is a connected person of the company. The directors expect that upon completion of the acquisition and the introduction, Shenzhen Concrete would continue its sale of concrete to 中鐵建廠工程局深圳分公司 (Zhong Tie Jian Chang Construction Department Shenzhen Branch Company) or associates of 中鐵建廠工程局深圳實業公司 (Zhong Tie Jian Chang

Construction Department Shenzhen Industrial Company). For the period from 26th March, 2002 to 31st December, 2002, the amount of sales to 中鐵建廠工程局深圳分公司 (Zhong Tie Jian Chang Construction Department Shenzhen Branch Company) by Shenzhen Concrete amounted to approximately RMB46.8 million, equivalent to approximately HK\$44.1 million, representing approximately 4.9% of the total sales of the unaudited pro forma combined profit and loss accounts of the enlarged group for the year ended 31st December, 2002.

The selling price was negotiated on an arm's length basis between 中鐵建廠工程局深圳分公司 (Zhong Tie Jian Chang Construction Department Shenzhen Branch Company) and Shenzhen Concrete which the directors consider to be fair and reasonable so far as the company is concerned. It is expected that the maximum annual sales of concrete to 中鐵建廠工程局深圳分公司 (Zhong Tie Jian Chang Construction Department Shenzhen Branch Company) or associates of 中鐵建廠工程局深圳實業公司 (Zhong Tie Jian Chang Construction Department Shenzhen Industrial Company) from the enlarged group under the above arrangement will not exceed 5.0% of the total sales of the enlarged group for any financial year during the three years ending 31st December, 2005. The cap has been set on the following basis:

- an annualised percentage of sales of concrete by Shenzhen Concrete to 中鐵建廠工程局深圳分公司 (Zhong Tie Jian Chang Construction Department Shenzhen Branch Company) as compared to the pro forma total sales of the enlarged group for the year ended 31st December, 2002 of approximately 6.4%;
- owing to the rapid development of cities along the southeast coast of the PRC, the directors expect a continuation of strong demand in the concrete market in the Guangdong province; and
- there being no significant fluctuation in the selling price for concrete.

iii. Purchase of clinker from Sumitomo Corporation

On 24th December, 2002, CR Cement Company entered into a clinker supply agreement with Sumitomo Corporation. Under the agreement, CR Cement Company agreed to purchase approximately 1,000,000 tonnes of clinker for the period from 1st January, 2003 to 31st December, 2003. Such yearly supply agreement was entered into pursuant to the shareholders' agreement relating to CR Cement Company and Dongguan Cement dated 5th December, 1994. Upon completion of the acquisition and the acquisition of a further 5% interest from Dongguan Metals and Minerals, CR Cement Company and Dongguan Cement will become a 75% owned subsidiary of the enlarged group. CR Cement Company will cease operation upon listing, whereupon Dongguan Cement will enter into a new supply agreement on same terms with Sumitomo Corporation. However, Dongguan Cement Holding is also currently considering a proposal for streamlining the operational structure of the Dongguan Cement Holding group which will involve the restructuring of Dongguan Cement as a wholly owned subsidiary of CR Cement Company. On implementation of such proposal, the company will comply with any disclosure or other relevant requirements of the Listing Rules. Sumitomo Corporation is a substantial shareholder of both CR Cement Company and Dongguan Cement, both subsidiaries of the enlarged group and accordingly, Sumitomo Corporation is a connected person of the company under the Listing Rules. The aggregate consideration paid for purchases from Sumitomo Corporation for the three years ended 31st December, 2002 were approximately HK\$47.2 million, HK\$122.2 million and

HK\$126.3 million respectively, representing approximately 8.3%, 22.7% and 20.0% of the total cost of sales of the unaudited pro forma combined profit and loss accounts of the enlarged group.

Because of the high quality of clinker from Sumitomo Corporation, the directors intend to continue to purchase clinker from Sumitomo Corporation pursuant to the clinker purchase arrangements under the shareholders' agreement. The selling price of clinker was negotiated on an arm's length basis. The directors expect that the annual purchases of clinker by members of the enlarged group from Sumitomo Corporation will not be more than 25% of the enlarged group's total cost of sales consumed for any relevant financial year based on the amounts of purchases made by the enlarged group from Sumitomo Corporation during the three years ended 31st December, 2002.

Upon listing of the shares on the Stock Exchange, the directors believe that the arrangements referred to above will continue on an ongoing basis and will, therefore, constitute continuing connected transactions of the company. Under the Listing Rules, such transactions would normally require disclosure by way of press announcements and depending on the value and nature of the transactions, approval by independent shareholders on each occasion the transaction occurs. However, in the opinion of the directors and Anglo Chinese, as such transactions are expected to continue on an on going basis, it would not be practical to make disclosure or, if necessary, to obtain independent shareholders' approval for the transactions each time they occur.

Waivers from the Stock Exchange

The company has applied for, and the Stock Exchange has granted to the company, a conditional waiver in respect of the purchases of aggregates and clinker arrangement, the fuel purchasing agreement, diesel and lubricant oil purchasing agreement, sale of cement arrangements, the provision of testing services and sale of concrete arrangements, collectively the "transactions" from strict compliance with the requirements of the Listing Rules in respect of (a) the disclosure requirements under rules 14.25 of the Listing Rules for the relevant transactions mentioned in (A) above and (b) the disclosure and shareholders' approval requirements under rule 14.26 of the Listing Rules for a period of three financial years ending 31st December, 2005 for the relevant transactions mentioned in (B) above, on each occasion they arise upon the listing of the shares on conditions that:

- a. the transactions are:
 - entered into by the enlarged group in the ordinary and usual course of its business;
 - entered into on an arm's length basis and conducted either (i) on normal commercial terms, or (ii) where there is no available comparison, on terms that are fair and reasonable so far as the shareholders of the company are concerned; and
 - entered into either (i) in accordance with the terms of the agreements governing such transactions or (ii) where there are no such agreements, on terms no less favourable than those available to or from independent third parties;

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- b. the relevant amount of the transactions for each of the financial year shall not exceed the respective caps as mentioned above;
- c. the independent non executive directors shall review the transactions mentioned in (A) and (B) above annually and confirm in the company's next annual report that these were conducted in the manner as stated in its respective paragraphs above;
- d. the company's auditors shall review the transactions annually and confirm annually in a letter (the "letter") to the directors, a copy of which shall be provided to the Stock Exchange by the directors, stating whether:
 - the transactions have received the approval of the board;
 - the transactions are in accordance with the pricing policies as stated in the company's financial statements;
 - the transactions have been entered into in accordance with the terms of the agreements governing the transactions or, where there is no such agreement, on terms no less favourable than terms available to, or from, as appropriate, independent third parties; and
 - the respective cap amounts have not been exceeded;

where for whatever reason, the auditors decline to accept the engagement or are unable to provide the letter, the directors shall contact the Stock Exchange immediately; and

- e. details of the transactions in each financial year shall be disclosed as required under rule 14.25(1)(A) to (D) of the Listing Rules in the annual report of the company for that financial year.

If any material terms of the transactions as mentioned above are altered or renewed or if the company enters into any new agreements with any connected persons (within the meaning of the Listing Rules) in the future, the company must comply with the provisions of Chapter 14 of the Listing Rules governing connected transactions.

In the opinion of the directors and Anglo Chinese, the continuing connected transactions referred to in (A) and (B) above have been entered into in the ordinary course of business of the enlarged group on an arm's length basis and on normal commercial terms which are fair and reasonable so far as the interests of the company and its shareholders taken as a whole are concerned.

C. The following connected transactions are included herein for information only and are exempted under rule 14.24(5) of the Listing Rules from disclosure or shareholders' approval requirements:

The directors consider that the connected transactions contemplated under the arrangements below have been or will continue to be, carried out on an arm's length basis and on normal commercial terms that are fair and reasonable, and will, upon listing of the shares on the Stock Exchange, constitute exempted continuing connected transactions under the Listing

Rules as the annual total consideration involved in each relevant transaction is and will be less than the higher of HK\$1 million or 0.03% of the book value of the net tangible assets of the enlarged group in its latest published audited consolidated accounts or the pro forma combined net tangible assets of the enlarged group as disclosed in this prospectus. Accordingly, these arrangements will fall within the de minimus provision under rule 14.24(5) of the Listing Rules, and are exempted from disclosure or shareholders' approval requirements applicable to connected transactions. In the event that the annual consideration involved under any of these arrangements exceed the higher of HK\$1 million or 0.03% of the book value of the net tangible assets of the enlarged group in any relevant financial year, the company will comply with the relevant provisions of the Listing Rules governing connected transactions.

Trademark licence

Pursuant to the trademark licence granted by China Resources Holdings in favour of the company on 16th May, 2003 ("trademark licence"), China Resources Holdings agreed to grant an exclusive licence to the company for the use of the trademark "華潤水泥" (CRC Cement) on the company's cement products for nil consideration. China Resources Holdings is the registered owner of the trademark registered under class 19 and class 35 bearing registration nos. 12311 of 1999 and 12312 of 1999 in the Trademarks Registry of Hong Kong. The trademark licence is for a term which expires as and when China Resources Holdings and its associates cease to hold 30% or more of the issued share capital of the company.

It is the policy of the China Resources group that all trademarks bearing the words "China Resources" and "華潤" are to be centralized under the ownership of China Resources Holdings in Hong Kong and China Resources National Corporation in the PRC. The licence from China Resources Holdings to the enlarged group will be exclusive to the extent cement products are concerned. The directors consider that the terms of trademark licence are in the interests of both the company and China Resources Holdings and are therefore on normal commercial terms.

D. The following connected transactions are included herein for information only and are exempted under rule 14.24(4) of the Listing Rules from disclosure or shareholders' approval requirements:

A non wholly owned subsidiary sells cement to other subsidiaries of the enlarged group

Dongguan Cement, which will be a 75% owned subsidiary of the enlarged group upon completion of the acquisition and the acquisition of a further 5% of interest from Dongguan Metals and Minerals, sells cement to other members of the enlarged group. The principal activity of Dongguan Cement is the production and sale of cement. The directors expect that upon completion of the acquisition and the introduction, Dongguan Cement would continue the sale of cement to other members of the enlarged group.

The amount of sale of cement by Dongguan Cement to Shenzhen Concrete, a wholly owned subsidiary of the enlarged group, amounted to approximately RMB12.7 million, equivalent to HK\$12.0 million, for the period from 26th March, 2002 to 31st December, 2002.

For the three years ended 31st December, 2002, the amount of sale of cement by Dongguan Cement through CR Cement Company, a non wholly owned subsidiary of the enlarged group, to Redland Concrete, a wholly owned subsidiary of the enlarged group amounted to approximately HK\$65.2 million, HK\$80.4 million and HK\$48.5 million respectively. It is intended that Dongguan Cement will sell cement to Redland Concrete or other members of the enlarged group directly when CR Cement Company ceases operation upon the listing of the company. However, Dongguan Cement Holding is also currently considering a proposal for streamlining the operational structure of Dongguan Cement Holding group which will involve the restructuring of Dongguan Cement as a 100% owned subsidiary of CR Cement Company. On implementation of such proposal, the company will comply with any disclosure or other relevant requirements of the Listing Rules.

There was no sale of cement from Dongguan Cement to Dongguan Concrete during the period from 24th June, 2002 to 31st December, 2002 as Dongguan Concrete only commenced its operation in March 2003. Dongguan Cement has been selling cement to Dongguan Concrete since its commencement of operations and the directors expect Dongguan Cement would continue to sell cement to Dongguan Concrete after the listing of the company. The directors consider that the sale of cement from Dongguan Cement to other members of the enlarged group is and will be on normal commercial terms in the ordinary and usual course of business of the companies concerned.

E. The following connected transactions are either: (i) financial assistance from connected persons which will be exempted under rule 14.24(8) of the Listing Rules from disclosure or shareholders' approval requirements; or (ii) not subject to any shareholders' approval under rule 14.25(2)(a) or rule 14.25(2) (b), as the case may be, and will be carried out on normal commercial terms that are fair and reasonable:

Under the shareholders' agreement relating to Dongguan Cement and CR Cement Company where the shareholders are required to provide financial assistance to Dongguan Cement or CR Cement Company (whether in the form of shareholders' loans or guarantees), such financial assistance is to be procured by Sumitomo Corporation (together with its associates and UBE Industries, Ltd., the other Japanese shareholder) on a joint and several basis as to 25%, and by CR Metals and Minerals (whose interests in Dongguan Cement and CR Cement Company were transferred to Dongguan Cement Holding) and Dongguan Metals and Minerals (the other 5% shareholder whose interests will be transferred to Dongguan Cement Holding) jointly and severally as to 75%. Dongguan Cement Holding has entered into an acquisition agreement on 3rd June, 2003 with Dongguan Metals and Minerals to acquire all its 5% interest in Dongguan Cement and CR cement Company. Completion is expected to be shortly before the introduction in July, 2003, whereupon Dongguan Cement and CR Cement Company will be owned as to 75% by Dongguan Cement Holding, a wholly owned subsidiary of the company upon completion of acquisition.

i. *Shareholders' loans*

As at 30th April, 2003, Dongguan Cement Holding and Sumitomo Corporation provided shareholders' loans to Dongguan Cement and CR Cement Company amounting to approximately HK\$208.7 million and HK\$65.0 million, respectively. The shareholders' loans provided by Dongguan Cement Holding are approximately in proportion to its shareholding interests in Dongguan Cement and CR Cement Company (taken together with the 5% interest of Dongguan Metals and Minerals to be acquired) and the shareholders'

loans provided by Sumitomo Corporation is approximately in proportion to its and its associate's shareholding interests and the shareholding interests of UBE Industries, Ltd. taken together, being 25%, in Dongguan Cement and CR Cement Company, and all such loans are unsecured, bearing interest at 2.6% per annum and repayable on demand. Such terms will remain unchanged after the listing of the shares. Shareholders' loans to CR Cement Company will be converted into direct shareholders' loans to Dongguan Cement when CR Cement Company ceases operation upon listing of the company. However, Dongguan Cement Holding is also currently considering a proposal for streamlining the operational structure of the Dongguan Cement Holding group which will involve the restructuring of Dongguan Cement as a 100% owned subsidiary of CR Cement Company. On implementation of such proposal, the company will comply with any disclosure or other relevant requirements of the Listing Rules. These shareholders' loans represent long term commitment of the shareholders of Dongguan Cement and CR Cement Company, and are for the benefit of the enlarged group, for which no security over the assets of the enlarged group is being granted.

The directors are of the view that all such shareholders' loans provided to members of the Dongguan Cement Holding group as mentioned above are on normal commercial terms and approximate to the shareholding proportions of Dongguan Cement Holding, and Sumitomo Corporation, taken together with the interests of its associate and of UBE Industries, Ltd., in Dongguan Cement.

The shareholder's loans provided by Dongguan Cement Holding as referred to above constitutes financial assistance to non wholly owned subsidiaries of the company, and are, therefore, connected transactions subject to disclosure under rule 14.25(2)(a) of the Listing Rules.

The shareholder's loans provided by Sumitomo Corporation as referred to above constitutes financial assistance from a connected person of the company to the subsidiaries of the company and are, therefore, connected transactions exempted under rule 14.24(8) of the Listing Rules from the disclosure or shareholders' approval requirements.

ii. *Provision of guarantee for bank loans*

China Resources Holdings has provided guarantees, in relation to the bank loans granted by Standard Chartered Bank and Bank of China respectively, to members of the Dongguan Cement Holding group under various loan agreements. The aggregate principal amount of the loans for the Dongguan Cement Holding group which are covered by such guarantees were approximately HK\$279.3 million, HK\$398.9 million and HK\$179.1 million as at 31st December, 2000, 2001 and 2002 respectively.

As at 30th April, 2003, loans to the Dongguan Cement Holding group which are covered by guarantees provided by China Resources Holdings were in aggregate approximately HK\$178.8 million. China Resources Holdings has not charged and will not charge any fees in relation to the provision of these guarantees nor has any security been provided by the enlarged group for such guarantees. Upon listing, the company will replace China Resources Holdings in providing guarantees for these loans and will not charge any fees or require security in relation to the provision of such guarantees.

Sumitomo Corporation has provided guarantees in relation to the loans made available by Japan Bank for International Corporation (formerly known as the Export-Import Bank of Japan) to members of the Dongguan Cement Holding group under various loan agreements. The aggregate principal amount of loans covered by such guarantees were approximately US\$12.7 million, US\$10.9 million and US\$8.0 million, equivalent to approximately HK\$99.0 million, HK\$85.0 million and HK\$62.4 million, as at the three years ended 31st December, 2002 respectively. As at 30th April, 2003, the loans of the Dongguan Cement Holding group covered by guarantees provided by Sumitomo Corporation were approximately US\$7.5 million, equivalent to approximately HK\$58.0 million. Sumitomo Corporation has not charged and will not charge any fees in relation to the provision of such guarantee and no security has been given by members of the Dongguan Cement Holding group to Sumitomo Corporation for such guarantees.

The directors are of the view that all such guarantees provided to members of the Dongguan Cement Holding group as mentioned above are on normal commercial terms.

The provision of guarantees by the company for loans granted to members of the Dongguan Cement Holding group as referred to above will upon listing and thereafter, constitute financial assistance to non wholly owned subsidiaries of the company and such connected transactions will be subject to the disclosure requirements under rule 14.25(2)(a) of the Listing Rules.

After listing of the company, the company will, as far as practicable, endeavour to maintain its share of the above mentioned shareholders' loans or guarantees for bank loans to any members of the enlarged group to be in proportion to its respective shareholding interest in such member of the enlarged group.

The directors expect that the provision of guarantees by Sumitomo Corporation for the loans granted to members of the Dongguan Cement Holding group as referred to above would continue after the listing of the company and such guarantees constitute financial assistance from connected persons to the enlarged group and such financial assistance are connected transactions exempted under rule 14.24(8) of the Listing Rules from the disclosure or shareholders' approval requirements.

iii. Other bank guarantees

Pursuant to loan agreement dated 11th April, 2003 between Shenzhen Concrete and Shenzhen branch of Guangdong Development Bank, 中鐵建工集團工程有限公司 (Zhong Tie Jian Gong Construction Holdings Co., Ltd.) has provided guarantees in relation to the loan facilities made available to Shenzhen Concrete under the loan and guarantee agreements. 中鐵建工集團工程有限公司 (Zhong Tie Jian Gong Construction Holdings Co., Ltd) is an affiliate of 中鐵建廠工程局深圳實業公司 (Zhong Tie Jian Chang Construction Department Shenzhen Industrial Company), which is a substantial shareholder of Shenzhen Concrete. Accordingly, 中鐵建工集團工程有限公司 (Zhong Tie Jian Gong Construction Holdings Co., Ltd.) is a connected person of the company under the Listing Rules. As at 30th April, 2003, the borrowings of Shenzhen Concrete covered by guarantees provided by 中鐵建工集團工程有限公司 (Zhong Tie Jian Gong Construction Holdings Co., Ltd.) was approximately RMB10.0 million, equivalent to approximately HK\$9.4 million. 中鐵建工集團工程有限公司 (Zhong Tie Jian Gong Construction Holdings Co., Ltd.) has not

charged and will not charge any fees in relation to the provision of such guarantee and no security has been given by Shenzhen Concrete to 中鐵建工集團工程有限公司 (Zhong Tie Jian Gong Construction Holdings Co., Ltd.) for such guarantees.

The directors expect that the provision of guarantees by 中鐵建工集團工程有限公司 (Zhong Tie Jian Gong Construction Holdings Co., Ltd.) for the loans granted to Shenzhen Concrete as referred to above would continue after the listing of the company and such guarantees constitute financial assistance from connected person to the enlarged group and the directors are of the view that such guarantees are on normal commercial terms and are connected transaction exempted under rule 14.24(8) of the Listing Rules from the disclosure or shareholders' approval requirements.

Pursuant to another loan agreement dated 20th March, 2001 between Bank of China and an associate of the enlarged group, Redland Precast, which is owned as to 50% by a wholly owned subsidiary of the enlarged group and 50% by Grand Max, banking facilities of HK\$20.0 million were made available by Bank of China to Redland Precast, each of China Resources Enterprise and Grand Max has undertaken to guarantee up to the maximum amount of HK\$10.0 million, which is in proportion to their respective shareholding interest. The principal outstanding amount of the said guaranteed loan of Redland Precast was approximately HK\$9.2 million, HK\$10.1 million and HK\$12.8 million as at the two years ended 31st December, 2002 and the four months ended 30th April, 2003 respectively.

Upon listing, if such loans shall continue, the company shall replace China Resources Enterprise in providing such guarantee for the loan. Both Grand Max and the company will not charge any fees or require security in relation to the provision of such guarantee. The guarantee will be a several guarantee and will be in proportion to the company's shareholding interest in such associate and on normal commercial terms.

The provision by the company of a guarantee for the bank loan granted to Redland Precast of the enlarged group as referred to above constitutes financial assistance by the company to a company in which the company and a connected person are both shareholders, and such connected transaction will be subject to disclosure under rule 14.25(2)(b) of the Listing Rules.

iv. Other shareholders' loans

As at 30th April, 2003, each of the Redland group and Grand Max has provided shareholders' loans of approximately HK\$18.4 million to Redland Precast. Such shareholder's loans provided by the Redland group and Grand Max are in proportion to their respective shareholding interest, being 50%, in Redland Precast on the same terms. All such loans are unsecured, bearing interest at prime rate minus 2% per annum and repayable on demand. Such terms will remain unchanged after the listing of the shares.

The directors are of the view that the shareholders' loans provided by the Redland group to Redland Precast as mentioned above are on normal commercial terms and in proportion to its shareholding interest in Redland Precast. The provision of such loans to Redland Precast constitute financial assistance to a connected person and therefore is a connected transaction subject to disclosure under rule 14.25(2)(b) of the Listing Rules.