

*The following is the text of a report for the purpose of incorporation in this prospectus, received from the auditors and reporting accountants of the company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.*

## 德勤·關黃陳方會計師行

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# Deloitte Touche Tohmatsu

26th June, 2003

The Directors

Flavour Glory Limited

恩耀有限公司

Anglo Chinese Corporate Finance, Limited

Dear Sirs,

We set out below our report on the financial information (“Financial Information”) relating to Flavour Glory Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the period from 24th December, 2001 to 31st December, 2002 (the “Relevant Period”) and for inclusion in the prospectus dated 26th June, 2003 (the “Prospectus”) of China Resources Cement Holdings Limited, the Company’s immediate holding company upon completion of the acquisition (the “Acquisition”) as detailed in the section headed “Acquisition” in the Prospectus.

The Company was incorporated in the British Virgin Islands as an international business company with limited liability under International Business Companies Ordinance on 2nd January, 2003.

Through a group reorganisation as more fully explained in the section C of this report (the “Group Reorganisation”), the Company on 12th March, 2003 became the holding company of the companies comprising the Group.

At the date of this report, the Company has the following subsidiaries, all of which are private limited companies or, if established outside Hong Kong, have substantially the same characteristics as a private limited company in Hong Kong:

Name of subsidiary	Place and date of establishment	Form of business	Registered and paid up capital	Attributable equity interest of the Group	Principal activities
廣西華潤紅水河水泥有限公司 Guangxi China Resources Hongshuihe Cement Co., Ltd. (“Guangxi CR Cement”)	People’s Republic of China (the “PRC”) 24th December, 2001	Sino-foreign equity joint venture	RMB200,000,000	70%	Manufacturing and trading of cement and cement products
廣西華潤紅水河碼頭倉儲有限公司 (“Guangxi Hongshuihe Pier Storage”)	PRC 24th July, 2002	Equity joint venture	RMB2,000,000	66.5%	Not yet commenced business
湛江華潤紅水河水泥有限公司 Zhanjiang China Resources Hongshuihe Cement Co., Ltd. (“Zhanjiang CR Cement”)	PRC 3rd March, 2003	Sino-foreign equity joint venture	HK\$5,680,000	51%	Not yet commenced business

No audited financial statements have been prepared for the Company and Zhanjiang CR Cement since their date of incorporation/establishment as these companies either inactive or did not have any transactions other than those related to the Group Reorganisation and Acquisition. We have, however, reviewed all relevant transactions of the companies since their dates of incorporation/establishment.

The auditors of the statutory financial statements of the Company's subsidiaries for the Relevant Period are as follows:

<b>Name of company</b>	<b>Auditors</b>	<b>Financial period ended</b>
Guangxi CR Cement	廣西起元會計師事務所	For the period from 24th December, 2001 (date of establishment) to 31st December, 2002
Guangxi Hongshuihe Pier Storage	廣西起元會計師事務所	For the period from 24th July, 2002 (date of establishment) to 31st December, 2002

The statutory consolidated financial statements of Guangxi CR Cement for the period from 24th December, 2001 (date of establishment) to 31st December, 2002 were prepared in accordance with the relevant accounting rules and financial regulations applicable to foreign invested enterprises established in the PRC. For the purpose of this report, we have however, undertaken our own independent audits of the consolidated financial statements of Guangxi CR Cement and its subsidiary, Guangxi Hongshuihe Pier Storage, which were prepared in accordance with accounting principles generally accepted in Hong Kong, for the Relevant Period in accordance with Statements of Auditing Standards in Hong Kong.

We have examined the audited consolidated financial statements of Guangxi CR Cement for the Relevant Period. Our examination was made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Society of Accountants.

The Financial Information of the Group for the Relevant Period set out in this report has been prepared from the audited consolidated financial statements of Guangxi CR Cement (the "Underlying Financial Statements"), on the basis set out in note 1 to the Financial Information, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of Guangxi CR Cement who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31st December, 2002 and of the combined results and cash flows of the Group for the period from 24th December, 2001 to 31st December, 2002.

## A. FINANCIAL INFORMATION

## Combined profit and loss account

	<i>Notes</i>	For the period from 24th December, 2001 to 31st December, 2002 <i>RMB'000</i>
Turnover	3	193,784
Cost of sales		<u>(153,638)</u>
Gross profit		40,146
Other operating income	4	4,993
Selling and distribution expenses		(7,381)
General and administrative expenses		<u>(20,857)</u>
Profit from operations	5	16,901
Interest on bank borrowings wholly repayable within five years		<u>(6,284)</u>
Profit before minority interests		10,617
Minority interests		<u>(3,185)</u>
Net profit for the period		<u><u>7,432</u></u>
Dividend	8	<u><u>(3,500)</u></u>
Earnings per share — basic (Renminbi cents)	9	<u><u>14.3</u></u>

## Combined balance sheet

	<i>Notes</i>	<b>As at 31st December, 2002 RMB'000</b>
Non-current assets		
Fixed assets	11	305,622
Mining rights	12	25,150
Prepaid rentals	13	<u>4,822</u>
		<u>335,594</u>
Current assets		
Stocks	14	52,539
Trade receivables	15	52,080
Other receivables and prepayments		6,381
Pledged bank deposits	16	2,420
Cash and bank balances	16	<u>13,026</u>
		<u>126,446</u>
Current liabilities		
Trade payables	17	57,511
Other payables		31,335
Amount due to a holding company		1,700
Amount due to minority interest	18	4,355
Amount due to a fellow subsidiary		4,622
Bank loans	19	<u>131,800</u>
		<u>231,323</u>
Net current liabilities		<u>(104,877)</u>
Total assets less current liabilities		<u>230,717</u>
Non-current liability		
Amount due to minority interest	20	<u>20,000</u>
Minority interests		<u>63,285</u>
		<u>147,432</u>
Capital and reserves		
Paid-up capital	21	140,000
Reserves	22	<u>7,432</u>
		<u>147,432</u>

## Combined statement of changes in equity

	<b>Paid-up capital</b> <i>RMB'000</i>	<b>Statutory reserves</b> <i>RMB'000</i>	<b>Retained profits</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Capital contribution injected by holding company	140,000	—	—	140,000
Net profit for the period	—	—	7,432	7,432
Transfers	—	1,342	(1,342)	—
As at 31st December, 2002	<u>140,000</u>	<u>1,342</u>	<u>6,090</u>	<u>147,432</u>

## Combined cash flow statement

	For the period from 24th December, 2001 to 31st December, 2002 <i>RMB'000</i>
Cash flows from operating activities	
Profit before minority interests	10,617
Adjustments for:	
Depreciation and amortisation	15,021
Amortisation of mining rights	310
Amortisation of prepaid rentals	603
Gain on disposal of fixed assets	(103)
Interest income	(22)
Interest expenses	<u>6,284</u>
Operating cash flows before movements in working capital	32,710
Increase in stocks	(15,691)
Increase in trade receivables	(30,909)
Increase in other receivables and prepayments	(379)
Decrease in trade payables	(14,222)
Increase in other payables	1,832
Increase in amount due to holding company	1,700
Increase in amount due to minority interest	4,355
Increase in amount due to a fellow subsidiary	<u>4,622</u>
Cash used in operations	(15,982)
Interest paid	<u>(6,284)</u>
Net cash used in operating activities	<u>(22,266)</u>
Cash flows from investing activities	
Interest received	22
Purchase of fixed assets	(113,297)
Proceeds from disposal of fixed assets	1,107
Increase in pledged bank deposits	<u>(2,420)</u>
Net cash used in investing activities	<u>(114,588)</u>
Cash flows from financing activities	
Capital contribution injected by holding company	140,000
Capital contribution by minority interest of a subsidiary	100
Bank loans raised	165,300
Repayment of bank loans	(123,520)
Repayment of loan from minority interest	<u>(32,000)</u>
Net cash generated from financing activities	<u>149,880</u>
Cash and cash equivalents at end of the period, representing cash and bank balances	<u><u>13,026</u></u>

## Notes to the financial statements

### 1. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The combined profit and loss account, combined statement of changes in equity and the combined cash flow statement for the period from 24th December, 2001 to 31st December, 2002 (the "Relevant Period") have been prepared as if current group structure had been in existence throughout the Relevant Period. The combined balance sheet of the Group as at 31st December, 2002 has been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence as at that date.

All significant intra-group transactions and balances have been eliminated on combination.

### 2. PRINCIPAL ACCOUNTING POLICIES

The Financial Information have been prepared under the historical cost convention. The principal accounting policies which have been adopted in preparing the Financial Information set out in this report and which conform with accounting principles generally accepted in Hong Kong are as follows:

#### Turnover

Turnover represents the net amounts received and receivable for goods sold during the period.

#### Recognition of revenue

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is recognised in the profit and loss account as it accrues.

#### Fixed assets

Fixed assets, other than construction in progress, are stated at cost less depreciation and amortisation and accumulated impairment losses, if any.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

The cost of land use right is amortised over the period of the right using the straight line method.

Properties, plant and equipment in the course of construction for production, rent or administrative purposes or for purposes not yet determined, are carried at cost less accumulated impairment losses, if any. Cost includes all construction expenditure, professional fees, borrowing cost capitalised and other relevant expenses directly attributable to such projects.

No provision for depreciation is made on construction in progress until such time when construction work is completed and the costs of construction are transferred to the appropriate category of fixed assets.

Depreciation and amortisation is provided to write off the cost of fixed assets, other than construction in progress, using straight line method over their estimated useful lives after taking into account of their estimated residual value. The estimated useful lives are as follows:

Land	Over the unexpired term of leases
Buildings	5 to 30 years
Leasehold improvements	15 years
Furniture and equipment	5 to 10 years
Motor vehicles, trucks and mixers	4 to 10 years
Plant and machinery	8 to 10 years
Silo	20 to 25 years

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

**Mining rights**

Mining rights are stated at cost less accumulated amortisation and any identified impairment loss. The cost of mining rights is amortised on straight line method over the estimated useful life of 50 years.

**Impairment**

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment loss is recognised in the profit and loss account.

Where an impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised estimate of its recoverable amount. Such reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is credited to the profit and loss account in the year in which the reversal is recognised.

**Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is determined on the first-in first-out method. Net realisable value is determined as the estimated net selling price less all further costs of production and the related costs of marketing, selling and distribution.

**Deferred taxation**

Deferred taxation is accounted for using the liability method in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset is expected to be crystallised in the foreseeable future.

**Foreign currencies**

Transactions in currencies other than Renminbi are converted at the rates of exchange ruling on the transaction dates. Monetary assets and liabilities denominated in currencies other than Renminbi are re-translated at the rates of exchange ruling on the balance sheet date. Exchange differences are included in the determination of operating profit.

**Operating leases**

Rentals payable under operating leases are accounted for in the profit and loss account on a straight line basis over the relevant lease terms.

**Pension cost**

The pension cost, which represents the amount payable in accordance with the regulations promulgated by the local municipal government of the PRC in which the subsidiaries of the Company is operated, is charged to the profit and loss account as incurred.



## 3. TURNOVER AND SEGMENT INFORMATION

**Business segments**

The Group is only engaged in manufacturing and trading of cement, thus no business segment information for the Relevant Period is presented.

**Geographical segments**

All the Group's assets and liabilities are located in the PRC and operations are also taken place in the PRC. Accordingly, no geographical segment information for the Relevant Period is presented.

## 4. OTHER OPERATING INCOME

Other operating income comprises:

	<b>For the period from 24th December, 2001 to 31st December, 2002 RMB'000</b>
Refund on exemption of value-added tax	3,146
Gain on disposal of fixed assets	103
Interest income	22
Other income	<u>1,722</u>
	<u><u>4,993</u></u>

## 5. PROFIT FROM OPERATIONS

	<b>For the period from 24th December, 2001 to 31st December, 2002 RMB'000</b>
Profit from operations has been arrived at after charging:	
Directors' remuneration	
— fees	—
— other emoluments	—
Other staff costs	16,013
Pension cost	<u>2,615</u>
Total staff costs	<u>18,628</u>
Auditors' remuneration	—
Depreciation and amortisation	15,021
Amortisation of mining rights included in general and administrative expenses	310
Amortisation of prepaid rentals included in general and administrative expenses	<u>603</u>

## 6. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES

(i) Details of directors' remuneration are as follows:

	For the period from 24th December, 2001 to 31st December, 2002 RMB'000	
Directors:		
Fees	—	
Salaries and other benefits	—	
Performance related incentive payments	—	
	<u>—</u>	
	<u>—</u>	<b>Number of directors</b>

Emoluments of the directors were within the following band:

Nil — RMB1,060,000 (equivalent to HK\$1,000,000)	<u>2</u>
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(ii) Employees

Details of remuneration paid by the Group to the five highest paid individuals (including directors, details of whose emoluments are set out above, and employees) for the period from 24th December, 2001 to 31st December, 2002 referred to in this report are as follows:

	For the period from 24th December, 2001 to 31st December, 2002 RMB'000	
Salaries and other benefits	281	
Performance related incentive payments	45	
	<u>326</u>	
	<u>326</u>	<b>Number of individuals</b>

Emoluments of the five highest paid individuals were within the following band:

Nil — RMB1,060,000 (equivalent to HK\$1,000,000)	<u>5</u>
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Number of directors included	—
Number of other employees	<u>5</u>
	<u>5</u>

During the Relevant Period, no emolument was paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. No directors of the Company waived any remuneration during the Relevant Period.

## 7. TAXATION

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries are entitled to full exemption from PRC Enterprise Income Tax for the first two years and 50% reduction for the following three years commencing from the first profitable year of operation. No provision for taxation has been made in the financial statements as the subsidiaries are exempted from the PRC Enterprise Income Tax during the Relevant Period.

No provision for deferred taxation has been made in the financial statements as there were no significant timing differences arising during the period or at the balance sheet date.

## 8. DIVIDEND

During the Relevant Period, no dividends have been paid or declared by the Company. However, Guangxi CR Cement, a 70% subsidiary of the Company, declared a final dividend of RMB5,000,000 for the period ended 31st December, 2002 to its then shareholders prior to the Group Reorganisation.

The rate of dividend per share and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the combined net profit for the period and on the assumption that approximately 51,930,000 shares of China Resources Cement Holdings Limited were deemed to have been issued being as part of the total number of approximately 154.7 million shares to be issued pursuant to the acquisition (subject to adjustment) as described more fully in the section headed "Acquisition" in the Prospectus.

No diluted earnings per share have been presented as the Company did not have any diluted potential shares.

## 10. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution retirement benefit scheme, for all of its employees, organised by the local government of Guangxi, the PRC. All employees of the subsidiaries of the Company are entitled to an annual pension equal to a fixed portion of their individual final basic salaries at their retirement dates. The Group is required to make contributions to the retirement scheme at the rate of 20% of the basic salaries of its employees. The total contribution incurred in this connection for the Relevant Period was approximately RMB2,615,000. No forfeited contributions may be used by the employer to reduce the existing level of contributions.

## 11. FIXED ASSETS

	Land and buildings	Leasehold improvements	Furniture and equipment	Motor vehicles, trucks and mixers	Plant and machinery	Silo	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
Injection of assets upon establishment	67,747	1,031	1,186	9,826	71,260	32,274	25,026	208,350
Additions	—	—	604	1,493	2,336	—	108,864	113,297
Disposals	—	—	—	(1,109)	—	—	—	(1,109)
As at 31st December, 2002	67,747	1,031	1,790	10,210	73,596	32,274	133,890	320,538
DEPRECIATION AND AMORTISATION								
Provided for the period	4,284	87	155	995	6,848	2,652	—	15,021
Eliminated on disposals	—	—	—	(105)	—	—	—	(105)
As at 31st December, 2002	4,284	87	155	890	6,848	2,652	—	14,916
NET BOOK VALUES								
As at 31st December, 2002	63,463	944	1,635	9,320	66,748	29,622	133,890	305,622

The land and buildings of the Group are situated in Guangxi, the PRC and are held under medium term leases.

As at 31st December, 2002, the Group has certain buildings with net book value of approximately RMB1,275,000 without the building titles.

As at 31st December, 2002, the Group pledged certain land and buildings, silo and plant and machinery with net book value of approximately RMB59,804,000, RMB24,842,000 and RMB55,230,000 respectively to banks to secure the Group's bank borrowings.

## 12. MINING RIGHTS

	<b>Mining rights RMB'000</b>
COST	
Injection of assets upon establishment and as at 31st December, 2002	25,460
AMORTISATION	
Provided for the period and as at 31st December, 2002	<u>310</u>
CARRYING VALUE	
As at 31st December, 2002	<u><u>25,150</u></u>

The amounts represent the Group's rights to mine the limestone and sandstone for cement production for a period of 50 years commencing on 1st January, 2002.

## 13. PREPAID RENTALS

	<b>As at 31st December, 2002 RMB'000</b>
Amount to be utilised within one year	602
Amount to be utilised after one year	<u>4,822</u>
	5,424
Less: Amount to be utilised within one year included in other receivables and prepayments	<u>(602)</u>
	<u><u>4,822</u></u>

The amount represents the rental prepaid for railway facilities, which is stated as cost and amortised on the straight line method over 10 years.

## 14. STOCKS

	<b>As at 31st December, 2002 RMB'000</b>
Raw materials and consumables	32,859
Work in progress	2,018
Finished goods	<u>17,662</u>
	<u><u>52,539</u></u>

As at the balance sheet date, all the stocks were stated at cost.

**15. TRADE RECEIVABLES**

The credit terms of the Group ranges from 30 to 60 days. The aging analysis of trade receivables is stated as follows:

	As at 31st December, 2002 RMB'000
0-90 days	43,236
91-180 days	<u>8,844</u>
	<u><u>52,080</u></u>

**16. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES**

The bank deposits are pledged with banks for granting credit banking facilities to the Group to the extent of the amount of deposits placed with the banks.

As at 31st December, 2002, the pledged bank deposits and cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately RMB13,655,000. RMB is not truly convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct the foreign exchange business.

**17. TRADE PAYABLES**

The aging analysis of trade payables is stated as follows:

	As at 31st December, 2002 RMB'000
0-90 days	32,130
91-180 days	992
181-365 days	287
Over 365 days	<u>24,102</u>
	<u><u>57,511</u></u>

**18. AMOUNT DUE TO MINORITY INTEREST**

The amount due to minority interest is unsecured, interest free and repayable on demand.

**19. BANK LOANS**

	As at 31st December, 2002 RMB'000
Secured	114,800
Unsecured	<u>17,000</u>
	<u><u>131,800</u></u>

**20. AMOUNT DUE TO MINORITY INTEREST**

The amount due to minority interest is unsecured, interest free and has no fixed repayment terms. In the opinion of the directors of the Group, no demand for repayment will be made by this related party in the next twelve months. Accordingly, the amount is classified as a non-current liability.

**21. PAID-UP CAPITAL**

The paid-up capital as at 31st December, 2002 represents the amount of paid-up registered capital of the Company's subsidiaries contributed by the holding company.

**22. RESERVES****THE GROUP****(a) Statutory surplus reserve**

The Articles of Association of Guangxi CR Cement requires the appropriation of 10% of its profit after taxation each year to the statutory surplus reserve until the balance reaches 50% of the registered capital. According to the provision of the Articles of Association of Guangxi CR Cement, in normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of production and operation. For the capitalisation of statutory surplus reserve into registered capital, the remaining amount of such reserve shall not be less than 25% of the registered capital.

**(b) Statutory public welfare fund**

Pursuant to the PRC Company Law, Guangxi CR Cement shall make allocation from its profit after taxation at the rate of 5% to 10% to statutory public welfare fund. The statutory public welfare fund can only be utilised on capital items for employees collective welfare. Individual employees only have the right to use these facilities, the titles to which will remain with Guangxi CR Cement. The statutory public welfare fund forms part of the owners' equity but is not distributable other than in liquidation.

**THE COMPANY**

As at 31st December, 2002, the Company did not have any reserves distributable to the shareholder.

## 23. MAJOR NON-CASH TRANSACTIONS

During the Relevant Period, the 30% minority interest of Guangxi CR Cement contributed its portion of registered capital in Guangxi CR Cement and advance an amount of shareholders' fund in the form of certain assets and liabilities as follows:

	<i>RMB'000</i>
Amounts contributed/advanced	
Capital contribution	60,000
Amount due to minority interest	<u>30,000</u>
	<u>90,000</u>
Satisfied by:	
Fixed assets	208,350
Mining rights	25,460
Prepaid rentals	6,027
Stocks	36,848
Trade receivables	21,171
Other receivables	5,400
Trade payables	(71,733)
Other payables	(29,503)
Bank loans	(90,020)
Loan from minority interest	<u>(22,000)</u>
	<u>90,000</u>

## 24. CAPITAL COMMITMENTS

	<b>As at 31st December, 2002</b> <i>RMB'000</i>
Capital expenditure in respect of acquisition of fixed assets contracted for but not provided in the financial statements	52,893
Capital expenditure in respect of acquisition of fixed assets authorised but not contracted for	<u>44,284</u>
	<u>97,177</u>

## 25. PLEDGE OF ASSETS

At the balance sheet date, the Group has pledged certain land and buildings, silo, plant and machinery with a net book value of approximately RMB59,804,000, RMB24,842,000 and RMB55,230,000 respectively to banks to secure the credit facilities granted to the Group.

## 26. RELATED PARTY TRANSACTIONS

The Group entered into the following significant transaction with the related parties:

Name of related company	Notes	Nature of transaction	For the period from 24th December, 2001 to 31st December, 2002 RMB'000
Continuing transactions:			
深圳市華潤鐵建混凝土有限公司 Shenzhen China Resources Tiejian Concrete Co., Ltd ("Shenzhen Tiejian")	(i)	Sales of cement	73
廣西紅水河水泥股份有限公司 Guangxi Hongshuihe Cement Joint Stock Company Limited ("Guangxi Hongshuihe Cement")	(ii)	Catering services charges paid	296
廣西黎塘水泥廠勞動服務公司 Guangxi Li Tang Cement Plant Labour Services Company	(ii)	Limestone crushing service charges paid	483
	(ii)	Printing service charges paid	36
	(ii)	Raw material loading and unloading labour service charges paid	385
Discontinued transaction:			
China Resources Machinery and Minmetals (Holdings) Co., Limited ("CRMM(H)")	(iii)	Management fee paid	1,700

*Notes:*

- (i) The selling price was determined between the parties with reference to market price. Shenzhen Tiejian is a fellow subsidiary of the Company.
- (ii) The service charges for these transactions were determined between the parties with reference to market prices. Guangxi Hongshuihe Cement is a party to the joint venture relating to Guangxi CR Cement whilst 廣西黎塘水泥廠勞動服務公司 (Guangxi Li Tang Cement Plant Labour Services Company) is a subsidiary of Guangxi Hongshuihe Cement.
- (iii) The management fee was determined by the directors of Guangxi CR Cement. CRMM(H) was an immediate holding company of the Guangxi CR Cement during the period.

The directors have represented that the above related party transactions were entered into in the ordinary course of the Group's business based on normal commercial terms.

**B. DIRECTORS' REMUNERATION**

Save as disclosed herein, no remuneration has been paid or is payable, in respect of the Relevant Period referred to in this report by the Group to the directors of the Company.

As at 31st December, 2002, the Group did not have any employment contracts with the directors of the Company.



**C. SUBSEQUENT EVENTS**

Subsequent to 31st December, 2002, the following significant transactions took place:

1. On 12th February, 2003, the Group entered into a joint venture agreement with Profit Pool Holdings Limited (潤寶集團有限公司) to establish a joint venture company, Zhanjiang CR Cement. Pursuant to the joint venture agreement, the Group should contribute the registered capital of approximately HK\$2,896,800 of this new joint venture company and share 51% of the equity interest in this new joint venture company.
2. On 25th February, 2003, the Company acquired 70% beneficial interest in Guangxi CR Cement from CRMM(H) for a total consideration of HK\$131,866,000, being equal to the original investment costs of CRMM(H) in Guangxi CR Cement. The acquisition of Guangxi CR Cement was completed on 12th March, 2003.
3. On 26th March, 2003, China Resources Cement Holdings Limited entered into an acquisition agreement with China Resources (Holdings) Company Limited for the acquisition of the Company at a consideration based on the consolidated audited net asset value of the Group, such consideration will be settled in the form of new shares to be allotted as referred to in the section headed "Acquisition" in the Prospectus. The remaining registered capital of Guangxi CR Cement is held by Guangxi Hongshuihe Cement, a company established in PRC and an independent third party not connected with the Company, its Directors or substantial shareholders.

**D. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31st December, 2002.

**E. ULTIMATE HOLDING COMPANY**

In the opinion of the Company's directors, the Company's ultimate holding company is China Resources National Corporation, a company established in the PRC.

Yours faithfully,  
**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*