

*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 Tommatsu, Certified Public Accountants, Hong Kong.*

## 德勤·關黃陳方會計師行

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# Deloitte Touche Tommatsu

26th June, 2003

The Directors

Full Sincere Limited

豐誠有限公司

Anglo Chinese Corporate Finance, Limited

Dear Sirs,

We set out below our report on the financial information (“Financial Information”) relating to Full Sincere Limited (the “Company”) and its subsidiary (hereinafter collectively referred to as the “Group”) for the period from 24th June, 2002 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 23rd April, 2003 became the holding company of the company comprising the Group.

At the date of this report, the Company has the following subsidiary, which is established outside Hong Kong and has 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 Company	
				Principal activities	
東莞華潤混凝土有限公司 China Resources Dongguan Concrete Co., Ltd. (“CR DG Concrete”)	People’s Republic of China (the “PRC”) 24th June, 2002	Wholly owned foreign enterprise	HK\$20,000,000 HK\$6,000,000	100%	Not yet commenced business

No audited financial statements have been prepared for the Company since its date of incorporation as the Company did not have any transactions other than those related to the Group Reorganisation. We have, however, reviewed all relevant transactions of the Company since its date of incorporation.

The auditors of the statutory financial statements of CR DG Concrete for the period from 24th June, 2002 (date of establishment) to 31st December, 2002 were 東莞市正量會計師事務所.

The statutory financial statements of CR DG Concrete for the period from 24th June, 2002 (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 audit of the financial statements of CR DG Concrete, 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 financial statements of CR DG Concrete 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 financial statements of CR DG Concrete (the "Underlying Financial Statements"), on the basis set out in note 1 to the Financial Information, for the purpose of preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of those companies 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 of the Group for the period from 24th June, 2002 to 31st December, 2002.

## A. FINANCIAL INFORMATION

## Combined profit and loss account

	<i>Notes</i>	For the period from 24th June, 2002 to 31st December, 2002 <i>RMB'000</i>
Turnover	3	—
General and administrative expenses		<u>(1,141)</u>
Net loss for the period	4	<u><u>(1,141)</u></u>
Dividend	7	<u><u>—</u></u>
Loss per share — basic (Renminbi cents)	8	<u><u>(62.0)</u></u>

## Combined balance sheet

	<i>Notes</i>	<b>As at 31st December, 2002 RMB'000</b>
Non-current assets		
Fixed assets	10	<u>3,624</u>
Current assets		
Other receivables and deposits		475
Cash and bank balances	11	<u>1,458</u>
		<u>1,933</u>
Current liabilities		
Other payables and accrued charges		22
Amount due to a holding company		<u>311</u>
		<u>333</u>
Net current assets		<u>1,600</u>
Net assets		<u><u>5,224</u></u>
Capital and reserves		
Paid-up capital	12	6,365
Retained loss		<u>(1,141)</u>
		<u><u>5,224</u></u>

## Combined statement of changes in equity

	<b>Paid-up capital</b> <i>RMB'000</i>	<b>Retained loss</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Capital contribution injected by holding company	6,365	—	6,365
Net loss for the period	<u>—</u>	<u>(1,141)</u>	<u>(1,141)</u>
As at 31st December, 2002	<u><u>6,365</u></u>	<u><u>(1,141)</u></u>	<u><u>5,224</u></u>

## Notes to the financial statements

### 1. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The combined profit and loss account and combined statement of changes in equity for the period from 24th June, 2002 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 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:

#### Fixed assets

Fixed assets are stated at cost less depreciation 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.

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 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 values. The estimated useful lives are as follows:

Furniture and equipment	5 to 16 <sup>2</sup> / <sub>3</sub> years
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#### 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.

#### 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 subsidiary of the Company is operated, is charged to the profit and loss account as incurred.

**3. TURNOVER AND SEGMENT INFORMATION****Business segment**

The Group did not have any turnover for the period from 24th June, 2002 to 31st December, 2002.

**Geographical segment**

All of the Group's assets and liabilities are located in the PRC. Accordingly, no geographical segment information is presented.

**4. NET LOSS FOR THE PERIOD**

	<b>For the period from 24th June, 2002 to 31st December, 2002 RMB'000</b>
Net loss for the period has been arrived at after charging:	
Directors' remuneration	—
Other staff costs	227
Pension cost	—
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Total staff costs	227
	<hr/>
Auditors' remuneration	—
Depreciation	2
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## 5. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES

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

	<b>For the period from 24th June, 2002 to 31st December, 2002 RMB'000</b>
Directors:	
Fees	—
Salaries and other benefits	—
	<u>—</u>

Emoluments of the directors were within the following bands:

	<b>Number of directors</b>
Nil-RMB1,060,000 (equivalent to HK\$1,000,000)	<u>2</u>

## (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 Relevant Period are as follows:

	<b>For the period from 24th June, 2002 to 31st December, 2002 RMB'000</b>
Salaries and other benefits	<u>174</u>
Emoluments of the five highest paid individuals were within the following band:	
Nil-RMB1,060,000 (equivalent to HK\$1,000,000)	<u>3</u>
Number of directors included	—
Number of other employees	<u>3</u>
	<u>3</u>

During the Relevant Period, no emolument was paid by the Group to the directors of the Company or to 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.

## 6. TAXATION

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiary is 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 after set off the accumulated loss brought forward. No provision for taxation has been made in the financial statements as the subsidiary incurred a loss for the 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.

#### 7. DIVIDEND

During the period, the Company and its subsidiary did not declare for any dividend.

#### 8. LOSS PER SHARE

The calculation of basic loss per share is based on the combined net loss for the period and on the assumption that approximately 1,840,000 shares of China Resources Cement Holdings Limited were deemed to have been issued as part of the total number of approximately 154.7 million shares to be issued pursuant to the acquisition (subject to adjustment) as described in the section headed "Acquisition" in the Prospectus.

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

#### 9. RETIREMENT BENEFIT SCHEME

The Group participates in a defined contribution retirement benefit scheme, for all of its employees, organised by the local government of Dongguan, the PRC. All employees of CR DG Concrete are entitled to an annual pension equal to a fixed portion of their individual final basic salaries at their retirement date. The Group is required to make contributions to the retirement scheme at the rate of 11% of the basic salaries of its employees. No retirement benefit scheme contribution was incurred for the Relevant Period. No forfeited contributions may be used by the employer to reduce the existing level of contributions.

#### 10. FIXED ASSETS

	Furniture and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST			
Additions during the period and balance as at 31st December, 2002	54	3,572	3,626
DEPRECIATION			
Provided for the period and balance as at 31st December, 2002	<u>2</u>	<u>—</u>	<u>2</u>
NET BOOK VALUES			
As at 31st December, 2002	<u>52</u>	<u>3,572</u>	<u>3,624</u>

#### 11. CASH AND BANK BALANCES

As at 31st December, 2002, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately RMB153,000. 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.

#### 12. PAID-UP CAPITAL

The paid-up capital as at 31st December, 2002 represents the amount of paid-up registered capital of CR DG Concrete.

#### 13. RESERVES

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

**14. CAPITAL COMMITMENTS**

As at 31st  
December, 2002  
RMB'000

Capital expenditure in respect of acquisition of fixed assets contracted for but not provided in the financial statements

5,216

**15. RELATED PARTY TRANSACTIONS**

During the Relevant Period, the Group did not enter into any related party transactions.

**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 events took place:

1. On 18th February, 2003, the Company acquired 100% of the entire registered capital of CR DG Concrete from China Resources Machinery and Minmetals (Holdings) Co. Limited ("CRMM(H)") for a total consideration of HK\$12,000,000, being equal to the original investment cost of CRMM(H) in CR DG Concrete. The acquisition of CR DG Concrete was completed on 23rd April, 2003.
2. 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 allotted as referred to in "Acquisition" of the Prospectus was effected.

**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*