

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 Tomatsu, Certified Public Accountants, Hong Kong.

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**Deloitte
Touche
Tomatsu**

26th June, 2003

The Directors

Goodsales Investments Limited

佳績投資有限公司

Anglo Chinese Corporate Finance, Limited

Dear Sirs,

We set out below our report on the financial information (“Financial Information”) relating to Goodsales Investments Limited (the “Company”) and its subsidiary (hereinafter collectively referred to as the “Group”) for the period from 26th March, 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 24th March, 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 on 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 Company	Principal activities
深圳市華潤鐵建混凝土有限公司 Shenzhen China Resources Tiejian Concrete Co., Ltd ("Shenzhen Tiejian")	People's Republic of China (the "PRC") 26th March, 2002	Limited liability company	RMB25,000,000	70%	Trading and manufacturing of concrete

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 Shenzhen Tiejian for the period from 26th March, 2002 (date of establishment) to 31st December, 2002 were 深圳中鵬會計師事務所.

The statutory financial statements of Shenzhen Tiejian for the period from 26th March, 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 Shenzhen Tiejian, 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 Shenzhen Tiejian 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 Shenzhen Tiejian (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 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 and cash flows of the Group for the period from 26th March, 2002 to 31st December, 2002.

A. FINANCIAL INFORMATION

Combined profit and loss account

	<i>Notes</i>	For the period from 26th March, 2002 to 31st December, 2002 RMB'000
Turnover	3	66,371
Cost of sales		<u>(50,063)</u>
Gross profit		16,308
Other operating income		3,448
Selling and distribution expenses		(8,609)
General and administrative expenses		<u>(3,631)</u>
Profit before taxation	4	7,516
Taxation	6	<u>(1,128)</u>
Profit before minority interest		6,388
Minority interest		<u>(1,916)</u>
Net profit for the period		<u><u>4,472</u></u>
Dividend	7	<u><u>—</u></u>
Earnings per share — basic (Renminbi cents)	8	<u><u>56.4</u></u>

Combined balance sheet

	<i>Notes</i>	As at 31st December, 2002 RMB'000
Non-current assets		
Fixed assets	10	<u>24,803</u>
Current assets		
Stocks	11	400
Trade receivables	12	5,193
Trade receivable from minority interest		30,791
Trade receivable from a fellow subsidiary		2,671
Other receivables		1,059
Cash and bank balances	13	<u>919</u>
		<u>41,033</u>
Current liabilities		
Trade payables	14	9,883
Other payables and accrued charges		11,567
Amount due to a holding company		200
Amounts due to fellow subsidiaries		10,924
Taxation payable		<u>1,128</u>
		<u>33,702</u>
Net current assets		<u>7,331</u>
Total assets less current liabilities		32,134
Minority interest		<u>9,640</u>
Net assets		<u><u>22,494</u></u>
Capital and reserves		
Paid-up capital	15	17,500
Reserves	16	<u>4,994</u>
		<u><u>22,494</u></u>

Combined statement of changes in equity

	Paid-up capital	Capital surplus	Statutory reserves	Retained profit	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital contribution injected by holding company	17,500	522	—	—	18,022
Net profit for the period	—	—	—	4,472	4,472
Transfers	—	—	789	(789)	—
As at 31st December, 2002	<u>17,500</u>	<u>522</u>	<u>789</u>	<u>3,683</u>	<u>22,494</u>

Combined cash flow statement

	For the period from 26th March, 2002 to 31st December, 2002 RMB'000
Cash flows from operating activities	
Profit before taxation	7,516
Adjustments for:	
Depreciation	1,135
Interest income	(12)
	<hr/>
Operating cash flows before movements in working capital	8,639
Increase in stocks	(400)
Increase in trade receivables	(5,193)
Increase in trade receivable from minority interest	(30,791)
Increase in trade receivable from a fellow subsidiary	(2,671)
Increase in other receivables	(1,059)
Increase in trade payables	9,883
Increase in other payables and accrued charges	11,567
Increase in amount due to a holding company	200
Increase in amounts due to fellow subsidiaries	10,924
	<hr/>
Net cash generated from operating activities	1,099
	<hr/>
Cash flows from investing activities	
Interest received	12
Purchase of fixed assets	(17,692)
	<hr/>
Net cash used in investing activities	(17,680)
Cash flows from financing activity	
Capital contribution injected by holding company	17,500
	<hr/>
Cash and cash equivalents at end of the period, representing cash and bank balances	<u>919</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 26th March, 2002 to 31st December, 2002 (the "Relevant Period") have been prepared as if current group structure had been in existence throughout the Relevant Period, where there is a shorter 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:

Turnover

Turnover represents the net amounts received and receivable for goods sold during the Relevant 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 are stated at cost less depreciation and accumulated impairment loss, 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.

Depreciation is provided to write off the cost of fixed assets 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:

Buildings	20 years
Furniture and equipment	5 years
Motor vehicles	12 years
Plant and machinery	10 to 12 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 subsidiary of the Company is operated, is charged to the profit and loss account as incurred.

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

The principal activity of the Group is solely within one segment for the manufacturing and trading of concrete in Shenzhen, the PRC, thus no business information for the Relevant Period is presented.

Geographical segment

All of 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. PROFIT BEFORE TAXATION

	For the period from 26th March, 2002 to 31st December, 2002 RMB'000
Profit before taxation has been arrived at after charging:	
Directors' remuneration	—
Other staff costs	3,379
Pension cost	<u>132</u>
Total staff costs	<u>3,511</u>
Allowance for bad debts	192
Auditors' remuneration	—
Depreciation	1,135
Operating lease rentals in respect of	
— motor vehicles	3,606
— land and buildings	490
and after crediting:	
Interest income	12
Value-added tax refund	<u><u>3,431</u></u>

5. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES

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

	For the period from 26th March, 2002 to 31st December, 2002 RMB'000
Directors:	
Fees	—
Salaries and other benefits	<u>—</u>
	<u><u>—</u></u>

Emoluments of the directors were within the following band:

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

	For the period from 26th March, 2002 to 31st December, 2002 RMB'000
Salaries and other benefits	<u>332</u>
Emoluments of the five highest paid individuals were within the following band:	
	Number of individuals
Nil — RMB1,060,000 (equivalent to HK\$1,000,000)	<u>5</u>
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 to the five highest paid individuals as an inducement to join or upon joining the Group or as 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 Shenzhen Tiejian is subject to PRC Enterprise Income Tax. The provision for PRC Enterprise Income Tax for the Relevant Period is based on the estimated assessable profit of Shenzhen Tiejian for PRC taxation purpose at the rate of 15%.

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. 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 7,923,000 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 earnings 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 its employees, organised by the local government of Shenzhen, the PRC. All employees of Shenzhen Tiejian 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 5.7% of the basic salaries of its employees. The total contribution incurred in this connection for the Relevant Period was approximately RMB132,000. No forfeited contributions may be used by the employer to reduce the existing level of contributions.

10. FIXED ASSETS

	Buildings <i>RMB'000</i>	Furniture and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Total <i>RMB'000</i>
COST					
Injection of assets upon establishment of Shenzhen Tiejian	10,299	480	4,990	9,977	25,746
Additions	<u>—</u>	<u>173</u>	<u>—</u>	<u>19</u>	<u>192</u>
As at 31st December, 2002	10,299	653	4,990	9,996	25,938
DEPRECIATION					
Provided for the period and balance as at 31st December, 2002	<u>313</u>	<u>70</u>	<u>250</u>	<u>502</u>	<u>1,135</u>
NET BOOK VALUES					
As at 31st December, 2002	<u>9,986</u>	<u>583</u>	<u>4,740</u>	<u>9,494</u>	<u>24,803</u>

11. STOCKS

As at the balance sheet date, all the stocks represent raw materials and consumables and were carried at cost.

12. TRADE RECEIVABLES

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

	As at 31st December, 2002 <i>RMB'000</i>
0—90 days	2,885
91—180 days	2,154
181—365 days	<u>154</u>
	<u>5,193</u>

13. CASH AND BANK BALANCES

As at 31st December, 2002, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately RMB910,000. 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.

14. TRADE PAYABLES

The aging analysis of trade payables is stated as follows:

	As at 31st December, 2002 RMB'000
0—90 days	3,504
91—180 days	6,379
	9,883
	9,883

15. PAID-UP CAPITAL

The paid-up capital as at 31st December, 2002 represents the amount of paid-up registered capital of Shenzhen Tiejian contributed by the holding company during the Relevant Period.

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

The Articles of Association of Shenzhen Tiejian 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 Shenzhen Tiejian, 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, Shenzhen Tiejian 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 Shenzhen Tiejian. 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 shareholders.

17. MAJOR NON-CASH TRANSACTIONS

During the Relevant Period, the 30% minority interest of Shenzhen Tiejian injected certain fixed assets amounted to RMB25,746,000 to Shenzhen Tiejian, of which an amount of RMB7,500,000 fixed assets injection was regarded as the capital contribution to the registered capital of Shenzhen Tiejian and an amount of RMB 746,000 fixed assets injection was regarded as the capital surplus of Shenzhen Tiejian which the remaining balance of RMB17,500,000 was satisfied by cash payment made by Shenzhen Tiejian.

18. 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	<u>6,060</u>

19. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group has future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	As at 31st December, 2002 RMB'000
Within one year	<u>675</u>

Lease is negotiated for an average term of three years and rentals are fixed and predetermined.

20. RELATED PARTY TRANSACTIONS

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

Name of related company	Notes	Nature of transactions	For the period from 26th March, 2002 to 31st December, 2002 RMB'000
Continuing transactions:			
中鐵建廠工程局深圳分公司 Zhong Tie Jian Chang Construction Department Shenzhen Branch Company	(i)	Sales of concrete	46,764
China Resources Construction Corp. ("CR Construction Corp.")	(ii)	Sales of concrete	8,013
東莞華潤水泥廠有限公司 Dongguan Huarun Cement Manufactory Co., Ltd. ("Dongguan Huarun")	(iii)	Purchase of cement	12,710
深圳華潤特種油劑有限公司 CRC Special Oil Company Limited ("CRC Special Oil")	(iii)	Purchase of fuel	39
廣西華潤紅水河水泥有限公司 Guangxi China Resources Hongshuihe Cement Co., Ltd. ("Guangxi CR Cement")	(iii)	Purchase of cement	73
Discontinued transaction:			
中鐵建廠工程局深圳實業公司 Zhong Tie Jian Chang Construction Department Shenzhen Industrial Company	(iv)	Purchase of fixed assets	17,500

Notes:

- (i) The price of the transaction was determined between the parties with reference to market price, 中鐵建廠工程局深圳分公司 (Zhong Tie Jian Chang Construction Department Shenzhen Branch Company) is the subsidiary of the 30% minority interest of Shenzhen Tiejian).
- (ii) The price of the transaction was determined between the parties with reference to market price, CR Construction Corp. is a fellow subsidiary of the Company.
- (iii) The purchase prices of these transactions were determined between the parties with reference to market prices. Dongguan Huarun, CRC Special Oil and Guangxi CR Cement are fellow subsidiaries of the Group.
- (iv) The purchase price of fixed assets was determined between the parties by reference to the net book value of fixed assets that recorded by 中鐵建廠工程局深圳實業公司 (Zhong Tie Jian Chang Construction Department Shenzhen Industrial Company) is the 30% minority interest of Shenzhen Tiejian).

The directors have represented that the above related party transactions were entered into in the ordinary course of 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 events took place:

1. On 24th March, 2003, the Company acquired 70% beneficial interest in Shenzhen Tiejian from China Resources Machinery and Minmetals (Holdings) Co. Limited ("CRMM(H)") for a total consideration of HK\$16,483,250, being equal to the original investment cost of CRMM(H) in Shenzhen Tiejian. The acquisition of Shenzhen Tiejian was completed on 24th March, 2003.
2. On 26th March, 2003, China Resources Cement Holdings Limited entered into an acquisition agreement with China Resources Holdings for the acquisition of the Company at a consideration based on the consolidated audited net asset value of the Group, such consideration to be settled in the form of new shares to be allotted as referred to in the section headed "Acquisition" of the Prospectus.

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