

For the purpose of this appendix, unless otherwise stated, references to the “group” and the “enlarged group” shall not include associated companies.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

The company was incorporated in the Cayman Islands under the Companies Law (2002 Revision) of the Cayman Islands as an exempted company with limited liability on 13th March, 2003. The company has established a place of business at Room 4107, 41st Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong and has been registered as an oversea company in Hong Kong under Part XI of the Companies Ordinance and has appointed Mr. Zhou Longshan of Room 2004, Block A, Causeway Centre, 28 Harbour Road, Wanchai, Hong Kong as the agent of the company for acceptance of service of process in Hong Kong. As the company is incorporated in the Cayman Islands, it operates subject to the Cayman Islands law and to its constitution which comprises a memorandum of association and articles of association. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in appendix VIII to this prospectus.

2. Group reorganisation and distribution in specie

In preparation for the listing, the company was incorporated in the Cayman Islands on 13th March, 2003. Following the passing of the ordinary resolution by the China Resources Enterprise independent shareholders at the extraordinary general meeting in respect of the acquisition, China Resources Enterprise will, prior to the distribution, transfer two ordinary shares of US\$1 each of Innovative Market, representing the entire issued share capital of Innovative Market, to the company in consideration of the allotment and issue of one share, credited as fully paid. Upon completion of the transfer of the shares in Innovative Market, Innovative Market will become a wholly owned subsidiary of the company. The company will forthwith thereafter allot and issue to China Resources Enterprise such number of shares, which when aggregated with the shares then in issue represent the aggregate entitlements of the China Resources Enterprise shareholders under the distribution, as a bonus issue by way of the capitalization of the total par value of such shares then standing to the credit of the share premium account of the company. To implement the distribution, China Resources Enterprise will thereafter proceed to distribute such shares to its shareholders whose names appear in the register of members of China Resources Enterprise at the close of business on the record date on the basis of one share for every ten China Resources Enterprise shares held (rounded down to the nearest whole number).

3. Changes in share capital of company

Since the date of incorporation of the company, the following alterations in the share capital of the company have taken place or are expected to take place:

- (a) Upon the incorporation of the company, its authorised share capital was HK\$100,000,000.00 divided into 1,000,000,000 shares of HK\$0.10 each, of which one share was transferred to China Resources Enterprise by the subscriber on 20th March, 2003 at par.
- (b) On 25th March, 2003, an additional one share of HK\$0.10 was allotted and issued at HK\$100,000,000.00 to China Resources Enterprise, such new share ranks pari passu in all respects with the then existing share.

- (c) Following the passing of the ordinary resolution by the China Resources Enterprise independent shareholders at the extraordinary general meeting in respect of the acquisition, one share will be allotted and issued, to be credited as fully paid and ranking *pari passu* in all respects with all the then existing shares of the company, to China Resources Enterprise as consideration for the acquisition by the company of, and in exchange for, two shares of US\$1.00 each in Innovative Market, representing the entire issued share capital of Innovative Market.
- (d) Following the issue of one share to China Resources Enterprise pursuant to paragraph (c) above, such number of shares in the company shall be allotted and issued to China Resources Enterprise, which when aggregated with the number of shares of the company then in issue represent the aggregate entitlements of the China Resources Enterprise shareholders under the distribution on the basis of one share for every ten China Resources Enterprise shares held on the record date (rounded down to the nearest whole number), as a bonus issue by way of capitalisation of a sum equivalent to the aggregate par value of such shares then standing to the credit of the share premium account of the company. Such shares will be issued and credited as fully paid, ranking *pari passu* with all the then existing shares of the company.
- (e) Following the bonus issue referred to in paragraph (d) above, China Resources Enterprise shall effect the distribution, whereupon all the shares in issue will be transferred to China Resources Enterprise shareholders whose names appear on the register of members of China Resources Enterprise at the close of business on the record date on the basis of one share for every ten China Resources Enterprise shares held (rounded down to the nearest whole number).
- (f) Following the distribution, the company shall complete the acquisition by issuing such number of shares, to be credited as fully paid, to China Resources Holdings or any persons as it may direct in satisfaction of the total consideration of HK\$414.1 million payable by the company for the acquisition, to be determined on the basis of approximately HK\$2.6761 per share, assuming the total number of China Resources Enterprise shares in issue on the record date were the same as at the latest practicable date, being 2,080,405,215.
- (g) Assuming that 2,080,405,215 China Resources Enterprise shares are in issue as at the record date, after completion of the steps mentioned in paragraph (c) to (f) above, the authorised share capital of the company will be HK\$100,000,000 divided into 1,000,000,000 shares of HK\$0.10 each, of which approximately 362,787,521 shares will be in issue, including approximately 208,040,521 shares transferred to China Resources Enterprise shareholders under the distribution and approximately 154,747,000 shares issued pursuant to the acquisition, all credited as fully paid, and approximately 637,212,479 shares will remain unissued.

Save as already disclosed in this prospectus and other than pursuant to any options which may be granted under the share option scheme, or pursuant to the exercise of power under the general mandates of the directors to allot and issue and, or, repurchase shares, there is no present intention to issue any part of the authorised but unissued share capital of the company, and no issue of shares will be made, during the six month period from the date on which dealings in the shares of the company on the Stock Exchange first commence, which would effectively alter the control of the company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of the company since its incorporation.

4. Written resolutions of the sole shareholder of the company passed on 20th June, 2003

On 20th June, 2003 written resolutions of the sole shareholder of the company were passed to approve the following:

THAT, conditional upon (i) the Listing Committee granting listing of, and permission to deal in, the shares in issue and the shares to be issued as mentioned in this prospectus (including any shares which may be issued pursuant to the bonus issue and upon completion of the acquisition or pursuant to the exercise of any options granted or to be granted under the share option scheme) and (ii) receipt of the approval of the China Resources Enterprise independent shareholders at the extraordinary general meeting in respect of the acquisition:

- (a) the introduction and its implementation be approved;
- (b) subject to the passing of the relevant ordinary resolution in the extraordinary general meeting of China Resources Enterprise, the rules of the share option scheme be approved and adopted with effect from the date on which dealings in the shares first commence on the Stock Exchange and the directors be authorised, subject to the terms of the scheme, to grant options to subscribe for shares thereunder and to allot, issue and deal with shares pursuant to the exercise of any options which may be granted under the share option scheme and to take all such steps as they consider necessary or desirable to implement the share option scheme;
- (c) a general unconditional mandate be given to the directors to exercise all the powers of the company to allot or issue and deal with securities, including shares, of the company and to make or grant offers, agreements or options, including warrants to subscribe for shares which might require securities to be allotted, issued or disposed of (otherwise than by way of rights or an issue of shares upon the exercise of any options which may be granted under the share option scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the company and/or any of its subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of the company in lieu of the whole or part of a dividend on shares in accordance with the articles of association of the company or a specific authority granted by the shareholders of the company in general meeting) with a total nominal value not exceeding 20 per cent of the aggregate of the total nominal value of the share capital of the company in issue and to be issued pursuant to the bonus issue and upon completion of the acquisition, such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the company; or
 - (ii) the date by which the next annual general meeting of the company is required by the articles of association of the company or by any applicable law to be held; or
 - (iii) the passing of an ordinary resolution of the shareholders of the company in general meeting revoking, varying or renewing such mandate;

- (d) a general unconditional mandate be given to the directors to exercise all powers of the company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the company may be listed and which is recognised by the Securities and Futures Commission in Hong Kong and the Stock Exchange for this purpose such number of shares with a total nominal value not exceeding 10% of the total nominal value of the share capital of the company in issue and to be issued pursuant to the bonus issue and upon completion of the acquisition, such mandate to remain in effect until whichever is the earliest of:
1. the conclusion of the next annual general meeting of the company; or
 2. the date by which the next annual general meeting of the company is required by the articles of association of the company or by any applicable law to be held; or
 3. the passing of an ordinary resolution of the shareholders of the company in general meeting revoking, varying or renewing such mandate;
- (e) the general unconditional mandate mentioned in paragraph (c) above be extended by the addition to the aggregate nominal value of the share capital of the company which may be allotted or agreed conditionally or unconditionally to be allotted by the directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the company repurchased by the company pursuant to the mandate to repurchase shares referred to in paragraph (d) above provided that such extended amount shall not exceed 10% of the total nominal value of the share capital of the company in issue and to be issued pursuant to the bonus issue and upon completion of the acquisition; and
- (f) the new memorandum and articles of association of the company be approved and adopted in substitution of the old Memorandum and Articles of Association of the company.

5. Changes in the share capital of the subsidiaries

The principal subsidiaries of the company and changes in the share capital of such subsidiaries, to the extent applicable, are set out in the accountants' reports, the text of which is set out in appendices I to IV to this prospectus.

In addition to those alterations disclosed in appendices I to IV, the following alterations in the capital of members of the enlarged group have taken place within the two years preceding the date of this prospectus:

(1) *Innovative Market*

Pursuant to written resolutions of the sole shareholder of Innovative Market dated 31st December, 2002, one share was allotted and issued at HK\$947.5 million, credited as fully paid, to China Resources Enterprise for the capitalisation of a shareholder's loan in an amount of HK\$947.5 million (comprising principal and interest) advanced by China Resources Enterprise to Innovative Market.

(2) *Dongguan Cement Holding*

Upon the incorporation of Dongguan Cement Holding on 8th January, 2003, its authorised share capital was US\$50,000 divided into 50,000 shares of US\$1 each, of which one share was allotted and issued to Minmetals Holdings at par.

(3) *Dongguan Concrete Holding*

Upon the incorporation of Dongguan Concrete Holding on 2nd January, 2003, its authorised share capital was US\$50,000 divided into 50,000 shares of US\$1 each, of which one share was allotted and issued to Minmetals Holdings at par.

(4) *Guangxi CR Cement Holding*

Upon the incorporation of Guangxi CR Cement Holding on 2nd January, 2003, its authorised share capital was US\$50,000 divided into 50,000 shares of US\$1 each, of which one share was allotted and issued to Minmetals Holdings at par.

(5) *Shenzhen Concrete Holding*

Upon the incorporation of Shenzhen Concrete Holding on 2nd January, 2003, its authorised share capital was US\$50,000 divided into 50,000 shares of US\$1 each, of which one share was allotted and issued to Minmetals Holdings at par.

(6) *Cheer Forward Limited*

Upon the incorporation of Cheer Forward Limited on 26th April, 2002, its authorised share capital was HK\$10,000 divided into 10,000 shares of HK\$1 each, of which a subscriber share was allotted and issued to each of Fairweather (Nominees) Limited and Fairwind Nominees Limited at par and were subsequently transferred to Redland Concrete and CRE (Nominees) Limited (as trustee of Redland Concrete) respectively on 10th May, 2002.

(7) *Dongguan Concrete*

A total amount of HK\$12,000,000 was paid as contribution to the registered capital of Dongguan Concrete up to the latest practicable date. The remaining amount of HK\$8,000,000 will become due and payable by 24th June, 2004.

(8) *Shenzhen Concrete*

A total amount of RMB25,000,000 was paid as full contribution to the registered capital of Shenzhen Concrete in relation to its establishment on 26th March, 2002.

(9) *Guangxi CR Cement*

A total amount of RMB200,000,000 was paid as full contribution to the registered capital of Guangxi CR Cement in relation to its establishment on 24th December, 2001.

(10) 廣西華潤紅水河碼頭倉儲有限公司 (*Guangxi China Resources Hongshuihe Pier Storage Company Limited*)

A total amount of RMB2,000,000 was paid as full contribution to the registered capital of Guangxi China Resources Hongshuihe Pier Storage Company Limited in relation to its establishment on 24th July, 2002.

(11) 湛江華潤紅水河水泥有限公司 (*Zhanjiang China Resources Hongshuihe Cement Company Limited*)

A total amount of HK\$5,680,000 was paid as full contribution to the registered capital of Zhanjiang China Resources Hongshuihe Cement Company Limited in relation to its establishment on 3rd March, 2003.

Save as disclosed in this prospectus, there has been no alteration in the share capital of any of the principal subsidiaries within the enlarged group within the two years preceding the date of this prospectus.

Pursuant to two option agreements both dated 8th August, 1997, Strong Progress Limited and CR Metal & Minerals each granted to Redland Holdings (whose registered office is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands) an option exercisable within eight years from the expiration of two years from the date of each of the two agreements to acquire 299,999 and one non-voting deferred shares respectively in the share capital of Redland Concrete, in each case, for the consideration of HK\$1. The rights of the holders of the non-voting deferred shares are set out in the articles of association of Redland Concrete, and in particular, such holders shall only be entitled to dividends of Redland Concrete when the profit available for distribution for the financial year exceeds HK\$500,000,000,000,000.

6. Repurchase by the company of its own shares

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the company of its own securities.

(a) Regulations of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions. All repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions. Pursuant to a resolution of the sole shareholder of the company passed on 20th June, 2003, a general unconditional mandate (the “Buyback Mandate”) was given to the directors authorising any repurchase by the company of securities as described above in the paragraph headed “Written resolutions of the sole shareholder of the company passed on 20th June, 2003”.

(b) Exercise of the Buyback Mandate

Assuming that changes in the share capital of the company shall have taken place in accordance with paragraph 3 above, and assuming that 2,080,405,215 China Resources Enterprise shares are in issue as at the record date, there will be approximately 362,787,521 shares in issue immediately upon listing of the shares, exercise in full of the Buyback

Mandate could accordingly result in up to 36,278,752 shares being repurchased by the company during the period up to (i) the conclusion of the next annual general meeting of the company; (ii) the expiration of the period within which the next annual general meeting of the company is required by the articles of association of the company or by any applicable law to be held; or (iii) the revocation, variation or renewal of the repurchase mandate by ordinary resolution of the shareholders of the company in general meeting, whichever occurs first.

(c) *Reasons for repurchases*

Repurchases of shares will only be made when the directors believe that such a repurchase will benefit the company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the company and/or its earnings per share.

(d) *Funding of repurchases*

In repurchasing shares, the company may only apply funds legally available for such purpose in accordance with the articles of association and the applicable laws of the Cayman Islands. The company may not purchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(e) *General*

No connected person (as defined in the Listing Rules) of the company, including the directors, and to the best of directors' knowledge having made all reasonable enquiries, none of their associates, currently intends to sell any shares to the company.

There might be a material adverse impact on the working capital or gearing position of the company (as compared with the position disclosed in this prospectus) in the event that the Buyback Mandate is exercised in full. However, the directors do not propose to exercise the Buyback Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the company or on its gearing levels which in the opinion of the directors are from time to time appropriate for the company.

The directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules, the articles of association of the company and the applicable laws of the Cayman Islands.

If as a result of a repurchase of shares, a shareholder's proportionate interest in the voting rights of the company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a shareholder, or a group of shareholders acting in concert, depending on the level of increase in the shareholder's interests, could obtain or consolidate control of the company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code. The directors are not aware of any consequences which would arise under the Code as a result of any repurchases pursuant to the Buyback Mandate. Such an increase would however mean that the total amount of the issued share capital of the company in public hands may be reduced to less than 25% and this would only be permitted if the Stock

Exchange agreed to waive the dealing restriction regarding the 25% minimum prescribed public shareholding applicable to the company. The company would take into consideration this factor before the Buyback Mandate is exercised.

7. Summary of the principal terms of the share option scheme

The following is a summary of the principal terms of the share option scheme conditionally adopted by the company by way of shareholders' written resolution dated 20th June, 2003 and directors' resolutions passed on 20th June, 2003 and 23rd June, 2003. Adoption of the share option scheme shall take effect on the first date of dealings in the shares, subject to satisfaction of the conditions set out in sub-paragraph (2) below.

(1) *Summary of the terms*

(a) *Purpose of the share option scheme*

The purpose of the share option scheme is to provide participants with the opportunity to acquire proprietary interests in the company and to encourage participants to work towards enhancing the value of the company and its shares for the benefit of the company and its shareholders as a whole.

(b) *Who may join*

The share option scheme is to be administered by the board, and the decisions of the board shall be final and binding on all parties. The board shall have the power to delegate its powers to any committee established by the board from time to time to grant options to participants (other than the directors, chief executive, substantial shareholders of the company and their respective associates) and to determine the subscription price and other terms (if any) of such grant.

The participants of the share option scheme include:

- (i) any executive or non executive directors of the enlarged group (or person(s) proposed to be appointed as such provided that the offer to such proposed appointee(s) shall be conditional upon the proposed appointment taking effect);
- (ii) discretionary object of a discretionary trust established by any employee, executive or non executive director of the enlarged group;
- (iii) any executives and employees of the enlarged group, substantial shareholders of the company or associates of substantial shareholders (as defined in the Listing Rules) of the company (together the "companies concerned");
- (iv) consultants, professional and other advisers to the enlarged group (or person(s) proposed to be appointed as such provided that the offer to such proposed appointee(s) shall be conditional upon the proposed appointment taking effect);

- (v) chief executive (as defined in the Listing Rules) of the company;
- (vi) substantial shareholders (as defined in the Listing Rules) of the company;
- (vii) associated companies of the enlarged group; and
- (viii) associates (as defined in the Listing Rules) of the directors, chief executive and substantial shareholders (as defined in the Listing Rules) of the company,

as absolutely determined by the board.

(c) *Period of grant of options*

The board is entitled at any time within ten years after the adoption date to make an offer to any participant in its absolute discretion to take up an option, pursuant to which such participant may subscribe for such number of shares as the board may determine at the subscription price.

(d) *Grant of an option to connected persons*

Each grant of options to any director, chief executive or substantial shareholder (as defined in the Listing Rules) of the company or their respective associates shall be approved by the independent non executive directors of the company (excluding any independent non executive director who is the proposed grantee of the options). Where any grant of options to a substantial shareholder (as defined in the Listing Rules) or an independent non executive director of the company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the shares in issue; and
- (ii) having an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of such grant, in excess of HK\$5 million,

such further grant of options must be approved by the shareholders. All connected persons (as defined in the Listing Rules) of the company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the shareholders for the relevant resolution. Any vote taken at the meeting to approve the grant of such option must be taken on a poll. The circular for the purpose of convening such general meeting shall contain all information required under the Listing Rules including, but not limited to, the number and terms of options to be granted and a recommendation from the independent non executive directors (excluding any independent non executive director who is the proposed grantee of options in question) on whether or not to vote in favour of the proposed grant.

(e) *Restrictions of grant of options*

The share option scheme prohibits the making of any offer or the granting of any option at a time when the participant would or might be prohibited from dealing in the shares by the Listing Rules or by any applicable rules, regulations or law. No option can be granted after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspaper. In particular, during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with paragraph 12 of the listing agreement, as defined in the Listing Rules) for the approval of the company's interim or annual results; and
- (ii) the deadline for the company to publish its interim or annual results announcement under the listing agreement,

and ending on the date of the results announcement, no option may be granted.

(f) *Maximum of number of shares*

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and other share option schemes of the company must not exceed 30% of the shares in issue from time to time ("Scheme Limit"). No options will be granted under the share option scheme or any other share option schemes at any time if such grant will result in the Scheme Limit being exceeded. In determining the Scheme Limit, the following shares are to be excluded:

- (i) shares issued pursuant to the share option scheme and any other share option schemes; and
- (ii) any pro rata entitlements to subscribe for further shares pursuant to the issue of shares mentioned in (i) above.

The shares which may be issued upon exercise of all options to be granted under the share option scheme and all other share option schemes of the company shall not exceed 10% of the shares in issue on the adoption date (the "Scheme Mandate Limit"), subject to renewal of the Scheme Mandate Limit as referred to below. Options lapsed in accordance with the terms of the share option scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The company may renew the Scheme Mandate Limit at any time subject to prior shareholders' approval. However, the Scheme Mandate Limit as renewed must not exceed 10% of the shares in issue as at the date of the aforesaid shareholders' approval. Options previously granted under the share option scheme, and other share option schemes (including those outstanding, cancelled or lapsed in accordance with the share option scheme or other schemes or exercised) will not be counted for the

purpose of calculating the limit as renewed. A circular with relevant information as required under the Listing Rules must be sent to shareholders in connection with the meeting at which their approval will be sought.

The company may seek separate shareholders' approval in general meeting for granting options beyond the Scheme Mandate Limit to participants specifically identified by the company. A circular with relevant information as required under the Listing Rules must be sent to shareholders containing, amongst others, a generic description of the identified participants, the number and terms of the options to be granted, the purpose of granting options to the identified participants, and how these options serve such purpose.

(g) *Maximum entitlement of each participant*

The total number of shares issued and to be issued upon exercise of the options granted to any participant (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant must not exceed 1% of the shares in issue (the "Individual Limit"). Any further grant of options in excess of the Individual Limit must be subject to shareholders' approval with such participant and his associates (as such term is defined in the Listing Rules) abstaining from voting. A circular with relevant information as required under the Listing Rules must be sent to the shareholders disclosing, amongst others, the identity of the grantee and the number and terms of the options granted and proposed to be granted. The number and terms, including the subscription price, of options to be granted to such grantee must be fixed before shareholders' approval is sought and the date of the board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(h) *Time of exercise of options*

The option period (the "Option Period") of the share option scheme is the period during which an option can be exercised, such period to be notified by the board to each grantee at the time of making an offer, and in any event such period of time shall not expire later than ten years from the date of grant.

(i) *Conditions of grant*

On and subject to the terms of the share option scheme, the board shall be entitled at any time within ten years from the adoption date to make an offer to any participant, as the board may in its absolute discretion select, to take up an option pursuant to which such participant may, during the Option Period, subscribe for such number of shares as the board may determine, at the subscription price. The offer shall specify the terms on which the option is to be granted. Such terms may include (i) minimum periods (if any) for which an option must be held; and/or (ii) minimum performance targets (if any) that must be reached before the option can be exercised in whole or in part; and/or (iii) such other terms as may be imposed at the discretion of the board either on a case-by-case basis or generally. A date of grant shall be a business day.

(j) *Amount payable upon acceptance of the options*

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of the company of HK\$1.00 by way of consideration for the grant thereof, is received by the company. Such remittance shall not be refundable in any circumstances.

(k) *Price of shares*

The subscription price shall be such price determined by the board in its absolute discretion and notified to the participant in the offer and shall be no less than the higher of:

- (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day;
- (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and
- (iii) the nominal value of a share on the date of grant.

Apart from the discretion to determine the subscription price, the directors will have absolute discretion to impose performance targets on the participants before any option can be exercised.

(l) *Ranking of shares*

The shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the memorandum and articles of association of the company for the time being in force and will rank *pari passu* with the fully paid shares in issue on the date the name of the grantee is registered on the register of members of the company. Prior to the grantee being registered on the register of members of the company the grantee shall not have any voting rights, or rights to participate in any dividends or distributions of the company, or any rights arising on a liquidation of the company, or any rights as to transfer, in respect of the shares to be issued upon the exercise of the option.

(m) *Period of the share option scheme*

Subject to the provisions of the share option scheme, the share option scheme shall be valid and effective for a period of ten years commencing on the adoption date, which will be the date on which the shares first commence dealings on the Stock Exchange. After the expiry of the ten-year period, no further options shall be offered or granted but in all other respects the provisions of the share option scheme shall remain in full force and effect. Options complying with the provisions of chapter 17 of the Listing Rules which are granted during the life of the share option scheme shall continue to be exercisable in accordance with their terms of issue after the end of the ten-year period.

(n) *Rights on ceasing to be a participant*

In the event a grantee is an employee of any of the companies concerned ceases to be an employee of any of the companies concerned for any reason other than on his/her death or the termination of his/her employment on one or more of the grounds specified in paragraph (s)(vi), the option shall lapse on the expiration of three months following the date of such cessation and not be exercisable unless the board otherwise determines in which event the option shall be exercisable to the extent and within such period as the board may determine. The date of cessation of employment shall be the last actual working day on which the grantee was physically at work with such company, whether salary is paid in lieu of notice or not.

In the event the grantee is an employee of any of the companies concerned dies before exercising the option in full and none of the events which would be a ground for termination of his or her employment under paragraph (s)(vi) then exists, the personal representative(s) of the grantee shall be entitled within a period of 12 months from the date of death to exercise the option up to the entitlement of such grantee as at the date of death.

(o) *Effect of takeover*

If a general offer by way of takeover (other than by way of scheme of arrangement pursuant to paragraph (p) below) is made to all the holders of shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, the company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise the option either to its full extent or to the extent notified by the company at any time within such period as shall be notified by the company.

(p) *Effect of scheme of arrangement*

If a general offer by way of scheme of arrangement is made to all the holders of shares and has been approved by the necessary number of holders of shares at the requisite meetings, the company shall forthwith give notice thereof to the grantee and the grantee may at any time thereafter (but before such time as shall be notified by the company) exercise the option either to its full extent or to the extent notified by the company.

(q) *Effect on winding up*

In the event a notice is given by the company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the company, the company shall forthwith give notice thereof to the grantee of an option and the grantee may at any time thereafter (but before such time as shall be notified by the company) exercise the option either to its full extent or to the extent notified by the company, and the company shall as soon as possible and in any event no later than three days prior to the date of the proposed shareholders' meeting, allot, issue and register in the name of the grantee such number of fully paid shares which fall to be issued on exercise of such option.

(r) *Effect on reconstruction*

In the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph (p) above, between the company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the company, the company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme, compromise or arrangement and the grantee may at any time thereafter but before such time as shall be notified by the company exercise the option either to its full extent or to the extent notified by the company in accordance with the share option scheme, and the company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the grantee such number of fully paid shares which fall to be issued on exercise of such option.

(s) *Lapse of options*

Subject to the provisions of the share option scheme, an option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods for exercising the option as referred to in paragraph (m), (n), (o) and (r);
- (iii) subject to the scheme of arrangement (referred to in paragraph (p)) becoming effective, the expiry of the period for exercising the option as referred to in paragraph (p);
- (iv) subject to paragraph (q), the date of the commencement of the winding-up of the company;
- (v) the date on which the grantee commits a breach of paragraph (w);
- (vi) the date on which the grantee, if an employee, ceases to be an employee of any of the companies concerned by reason of the termination of his or her employment on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily; and
- (vii) subject to paragraph (n), the date the grantee, if an employee of any of the companies concerned, ceases to be an employee of any of the companies concerned by any other reason.

(t) *Effect of alteration of capital*

In the event of any alteration in the capital structure of the company and such event arises from a capitalisation issue, rights issue, consolidation, sub-division, or reduction of the share capital of the company, other than any alteration in the capital structure of the company as a result of an issue of shares as consideration in a transaction to which the company is a party, such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of shares subject to the options so far as unexercised; and, or
- (ii) the subscription price,

or any combination thereof, as the auditors shall, at the request of the company, certify in writing, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided that any such adjustments give a grantee the same proportion of the equity capital of the company as that to which that grantee was previously entitled, but so that no such adjustments shall be made to the extent that a share would be issued at less than its nominal value. For any such adjustments, other than those made on a capitalisation issue, an independent financial adviser or the company's auditors must confirm to the directors in writing that the adjustments satisfy the requirements in the Listing Rules. The capacity of the auditors acting in accordance with the provisions described in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the company and the grantees. The costs of the auditors shall be borne by the company.

(u) *Cancellation of options granted*

Any options granted but not exercised may be cancelled if the grantee so agrees and new options may be granted to the grantee under a share option scheme with available unissued options (excluding the cancelled options) provided such new options fall within the limits prescribed by paragraph (f) and otherwise comply with the terms of the share option scheme.

(v) *Termination of share option scheme*

The company by ordinary resolution in general meeting or the board may at any time terminate the operation of the share option scheme and in such event no further options will be offered or granted but in all other respects the provisions of the share option scheme shall remain in full force and effect. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the share option scheme and remain unexpired immediately prior to the termination of the operation of the share option scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the share option scheme.

(w) *Rights are personal to the option holder*

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any option. Any breach of the foregoing shall entitle the company to cancel any outstanding option or part thereof granted to such grantee without incurring any liability on the part of the company.

(x) *Alteration of share option scheme*

Those specific provisions of the share option scheme which relate to the matters set out in Rule 17.03 of the Listing Rules, cannot be altered to the advantage of the participants and no changes to the authority of the directors or administrator of the share option scheme in relation to any alteration of the terms of the share option scheme shall be made, without the prior approval of shareholders in general meeting. Any alterations to the terms and conditions of the share option scheme which are of a material nature, or any change to the terms of options granted, must be approved by the shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the share option scheme. The share option scheme so altered must comply with Chapter 17 of the Listing Rules.

(2) *Present status of the share option scheme*

The share option scheme is conditional on:

- the China Resources Enterprise shareholders passing ordinary resolution(s) (a) approving adoption of the scheme and (b) authorising the directors to exercise the powers to make or grant options under the scheme and to allot and issue shares in the company in accordance with the terms thereof; and
- the Listing Committee granting listing of, and permission to deal in, the shares in issue and to be issued as mentioned in this prospectus (including any shares to be issued pursuant to the scheme which shall not exceed 10% of the total number of issued shares as at the listing date).

As at the date of this prospectus, no option has been granted or agreed to be granted under the share option scheme.

An application has been made to the Listing Committee for the approval of the listing of, and permission to deal in, the shares which may be issued pursuant to the exercise of the options granted under the share option scheme.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts have been entered into by members of the enlarged group within two years preceding the date of this prospectus and are or may be material:

- (a) an agreement in Chinese made in February 2002 between Guangxi CR Cement and 中山市神灣鎮房地產開發公司 (Zhongshan Shenwan Township Property Development Company) regarding the purchase of land use right of an area of approximately 5 mu at a total consideration of RMB397,500.00;
- (b) a sale and purchase agreement in Chinese dated 25th April 2002 between Shenzhen Concrete, 中鐵建廠工程局深圳實業公司 (Zhong Tie Jian Chang Construction Department Shenzhen Industrial Company) and Shenzhen Foreign Trade Centre (now known as China Resources (Shenzhen) Co., Ltd.) regarding the purchase by Shenzhen Concrete of certain facilities and equipment then owned by 中鐵建廠工程局深圳實業公司 (Zhong Tie Jian Chang Construction Department Shenzhen Industrial Company) at a consideration of RMB17,500,000.00;
- (c) a supplemental agreement in Chinese dated 7th September 2002 between Shenzhen Concrete and 中鐵建廠工程局深圳實業公司 (Zhong Tie Jian Chang Construction Department Shenzhen Industrial Company) in relation to certain mixer trucks transferred to Shenzhen Concrete under item (b) above;
- (d) a contract for establishment of company in Chinese dated 8th July, 2002 between Guangxi CR Cement and 廣西欽州港紅水河碼頭倉儲有限公司 (Guangxi Qinzhou Harbour Hongshuihe Pier Storage Company Limited) regarding the establishment of 廣西華潤紅水河碼頭倉儲有限公司 (Guangxi China Resources Hongshuihe Pier Storage Company Limited) with a registered capital of RMB2,000,000.00 in which Guangxi CR Cement owns a 95% interest;
- (e) a set of articles of association in Chinese dated 8th July, 2002 signed by Guangxi CR Cement and 廣西欽州港紅水河碼頭倉儲有限公司 (Guangxi Qinzhou Harbour Hongshuihe Pier Storage Company Limited) in relation to 廣西華潤紅水河碼頭倉儲有限公司 (Guangxi China Resources Hongshuihe Pier Storage Company Limited);
- (f) an instrument of transfer dated 15th October 2002 regarding the transfer of one share in Redland Concrete (China) Limited from Redland Precast to Redland Concrete for the consideration of HK\$1.00 and a set of bought and sold notes also dated 15th October, 2002 regarding the sale of two shares in Redland Concrete (China) Limited from Redland Precast to Redland Concrete for a total consideration of HK\$2.00;
- (g) an equity joint venture contract in Chinese dated 12th February, 2003 between Guangxi CR Cement and Profit Pool Holdings Limited regarding the establishment of 湛江華潤紅水河水泥有限公司 (Zhanjiang China Resources Hongshuihe Cement Company Limited) with a registered capital of HK\$5,680,000.00 in which Guangxi CR Cement owns a 51%;

- (h) a set of articles of association in Chinese dated 12th February, 2003 signed by Guangxi CR Cement and Profit Pool Holdings Limited in relation to the establishment of 湛江華潤紅水河水泥有限公司 (Zhanjiang China Resources Hongshuihe Cement Company Limited);
- (i) a contract for the assignment of and licence to use trademarks in Chinese dated 31st May, 2003 signed by Minmetals Holdings, Dongguan Cement Holding and Dongguan Cement for the assignment of the “東潤水泥” (“Dongrun Shuini”) and “潤豐水泥” (“Runfeng Shuini”) registered trademarks from Minmetals Holdings to Dongguan Cement Holding at nil consideration, under which an exclusive licence was also granted by Minmetals Holdings to Dongguan Cement for nil consideration to use the marks pending registration of the said transfer;
- (j) an agreement for transfer of equity interest in Chinese dated 21st March, 2003 between Dongguan Cement Holding and CR Metals and Minerals in relation to the transfer of a 70% interest in Dongguan Cement by CR Metals and Minerals to Dongguan Cement Holding at a consideration of HK\$85,234,599.59, which was counter signed by Dongguan Metals and Minerals, Sumitomo Corporation, Sumitomo Corporation (Hong Kong) Ltd. and UBE Industries, Ltd., being the other shareholders of Dongguan Cement;
- (k) a loan assignment in Chinese dated 24th March, 2003 between Dongguan Cement Holding, Minmetals Holdings and Dongguan Cement under which the benefit of the loan in the principal sum of HK\$121,200,000 due from Dongguan Cement to Minmetals Holdings was assigned to Dongguan Cement Holding in consideration of Dongguan Cement Holding paying the same amount to Minmetals Holdings;
- (l) a loan assignment in Chinese dated 24th March, 2003 between CR Cement Company, Minmetals Holdings and Dongguan Cement under which the benefit of the loan in the principal sum of HK\$94,180,000 due from Dongguan Cement to Minmetals Holdings was assigned to CR Cement Company in consideration of CR Cement Company paying the same amount to Minmetals Holdings;
- (m) a supplemental agreement in Chinese dated 21st March, 2003 between Dongguan Cement Holding, Dongguan Metals and Minerals, Sumitomo Corporation (Hong Kong) Limited, Sumitomo Corporation and UBE Industries, Ltd., in relation to the joint venture contract of Dongguan Cement. Such supplemental agreement was signed pursuant to the transfer of a 70% interest in Dongguan Cement from CR Metals and Minerals to Dongguan Cement Holding;
- (n) a supplemental agreement in Chinese dated 21st March, 2003 between Dongguan Cement Holding and Dongguan Metals and Minerals, Sumitomo Corporation (Hong Kong) Limited, Sumitomo Corporation and UBE Industries, Ltd., in relation to the articles of association of Dongguan Cement. Such supplemental agreement was signed pursuant to the transfer of a 70% interest in Dongguan Cement from CR Metals and Minerals to Dongguan Cement Holding;
- (o) an instrument of transfer and a set of bought and sold notes all dated 24th March, 2003 regarding the transfer of 700,000 ordinary shares of HK\$1 each in CR Cement Company from CR Metals and Minerals to Dongguan Cement Holding at a consideration of HK\$531,770.00;


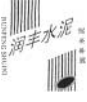





- (p) a deed of assignment of debt dated 24th March, 2003 regarding the assignment of shareholders' loan in CR Cement Company from CR Metals and Minerals to Dongguan Cement Holding at a consideration of HK\$87,504,950.93;
- (q) an agreement for transfer of equity interest in Chinese dated 25th February, 2003 between Guangxi CR Cement Holding and Minmetals Holdings in relation to the transfer of a 70% interest in Guangxi CR Cement by Minmetals Holdings to Guangxi CR Cement Holding at a consideration of HK\$131,866,000.00;
- (r) a supplemental agreement in Chinese dated 25th February, 2003 between Guangxi CR Cement Holding and Guangxi Hongshuihe Cement in relation to the joint venture contract of Guangxi CR Cement. Such supplemental agreement was made pursuant to the transfer of a 70% interest in Guangxi CR Cement from Minmetals Holdings to Guangxi CR Cement Holding;
- (s) a supplemental agreement in Chinese dated 25th February, 2003 between Guangxi CR Cement Holding and Guangxi Hongshuihe Cement in relation to the articles of association of Guangxi CR Cement signed by the parties. Such supplemental agreement was signed pursuant to the transfer of a 70% interest in Guangxi CR Cement from Minmetals Holdings to Guangxi CR Cement Holding;
- (t) an agreement for transfer of equity interest in Chinese dated 18th February, 2003 between Dongguan Concrete Holding and Minmetals Holdings in relation to the transfer of 100% interest in Dongguan Concrete by Minmetals Holdings to Dongguan Concrete Holding at a consideration of HK\$12,000,000;
- (u) a deed of assignment and trust of equity dated 24th March, 2003 between Shenzhen Concrete Holding, China Resources (Shenzhen) Co., Ltd. and Minmetals Holdings in relation to the assignment of 70% beneficial interests in Shenzhen Concrete from Minmetals Holdings to Shenzhen Concrete Holding at a consideration of HK\$16,483,250 and the declaration of trust in respect of such 70% interest by China Resources (Shenzhen) Co., Ltd. in favour of Shenzhen Concrete Holding;
- (v) conditional agreement dated 26th March, 2003 between the company and China Resources Holdings regarding the acquisition of the entire issued share capital in, respectively, Dongguan Cement Holding, Dongguan Concrete Holding, Guangxi CR Cement Holding and Shenzhen Concrete Holding and the related shareholders' loans in the total principal amount of HK\$208,704,951 in consideration of the allotment and issue of shares of the company, credited as fully paid, to China Resources Holdings;
- (w) a supplemental agreement in Chinese dated 9th April, 2003 between Guangxi CR Cement and Profit Pool Holdings Limited in relation to the joint venture contract of 湛江華潤紅水河水泥有限公司 (Zhanjiang China Resources Hongshuihe Cement Company Limited) dated 12th February 2003. Such agreement was signed in relation to the amendment to the respective method of capital contribution of the parties;
- (x) a supplemental agreement in Chinese dated 9th April, 2003 between Guangxi CR Cement and Profit Pool Holdings Limited in relation to the articles of association of 湛江華潤紅水河水泥有限公司 (Zhanjiang China Resources Hongshuihe Cement

Company Limited) dated 12th February, 2003 between the parties. Such agreement was signed pursuant to the supplemental agreement between the parties as mentioned in paragraph (w) above;

- (y) an agreement in Chinese dated 3rd June, 2003 between Dongguan Metals and Minerals and Dongguan Cement Holding in relation to the transfer of a 5% interest in each of Dongguan Cement and CR Cement Company from Dongguan Metals and Minerals to Dongguan Cement Holding for a total consideration of HK\$4,800,000.00;
- (aa) a deed of option dated 20th June, 2003 between China Resources Holdings and the company in relation to the Ping Nan Joint Venture, under which, amongst other things, China Resources Holdings granted to the company at the consideration of HK\$1.00 an option to acquire its interests (if any) in Guangxi Ping Nan Yu Feng Cement Company Limited;
- (bb) a deed of indemnity dated 20th June, 2003 signed by China Resources Holdings in favour of the company, pursuant to which China Resources Holdings has undertaken to indemnify the company or the relevant members of the enlarged group in full in respect of losses, damages, obligations or liabilities arising out of or in connection with, among other things, title defects of certain property interests of the enlarged group.

2. Intellectual property rights

- (a) The following trademarks have been assigned to members of the enlarged group pending approval from the relevant governmental authority or issuance of the relevant certificates of registration (as the case may be):


Trade Mark	Assignor	Assignee	Place of registration	Class	Date of registration	Registration Number
	Minmetals Holdings	Dongguan Cement Holding (Note 1)	PRC	19	28th July, 2001	1608853
	Minmetals Holdings	Dongguan Cement Holding (Note 1)	PRC	19	28th July, 2001	1608854
	Guangxi Hongshuihe Cement	Guangxi CR Cement (Note 2)	PRC	19	21st February, 1997	948212
	Guangxi Hongshuihe Cement	Guangxi CR Cement (Note 2)	PRC	19	21st February, 1997	948213
	Guangxi Hongshuihe Cement	Guangxi CR Cement (Note 2)	PRC	19	21st February, 1997	948214
	Guangxi Hongshuihe Cement	Guangxi CR Cement (Note 2)	PRC	19	28th February, 1997	952179
	Guangxi Hongshuihe Cement	Guangxi CR Cement (Note 2)	PRC	22 (Note 3)	30th March, 1984	205843

Notes:

1. Dongguan Cement is granted an exclusive right to use the trademarks pending approval by the Trademarks Bureau of the State Administration for Industry and Commerce in the PRC for the assignment of the marks to Dongguan Cement Holding.
2. Approvals were granted by the Trademarks Bureau of the State Administration for Industry and Commerce in the PRC for the assignments pending issuance of the relevant certificates of trademark registration.
3. Class 22 is the old classification for cement. Approval was granted by the Trademarks Bureau of the State Administration for Industry and Commerce in the PRC on 30th March, 1994 for extension of the registration under class 19 (cement) within the new classification system.

(b) Members of the enlarged group have submitted applications for registration of the following trade marks with the Trademarks Registry in Hong Kong:

Trade Mark	Class	Place of registration	Date of application	Application number
REDLAND 中港	37	Hong Kong	19th May, 2003	300021040
REDLAND PRECAST	37	Hong Kong	19th May, 2003	300021059
中威	37	Hong Kong	19th May, 2003	300021068
	19 and			
RUNFENG	37	Hong Kong	19th May, 2003	300021077
	19 and			
潤豐水泥	37	Hong Kong	19th May, 2003	300021086

Pursuant to a licence dated 16th May, 2003, the enlarged group was granted an exclusive licence to use the trademark of “華潤水泥” (CRC Cement)  (registered under class 19 and class 35 bearing registration nos. 12311 of 1999 and 12312 of 1999 in Hong Kong) for the production and sale of its cement products for an indefinite term until the interest of China Resources Holdings and its associates in the company is reduced to below 30%.

As at the latest practicable date, the enlarged group was the registered owner of the domain names “www.crcement.com”, “www.crcement.com.hk”, “www.cre-cement.com”, “www.crcement.net”, “www.crc-cement.com.cn”, and “www.redland.com.hk”. The enlarged group has used, and intends to continue to use, such websites for displaying corporate and product information of the enlarged group. The contents of these websites do not form part of this prospectus.

3. Members of the enlarged group incorporated in the PRC

The following PRC companies will, upon completion of the acquisition, become members of the enlarged group and their respective incorporation details are as follows:

Dongguan Cement

Investors and their respective equity interests in the company	:	(1) Dongguan Cement Holding (70%) <i>(Note)</i> (2) UBE Industries, Ltd (12.5%) (3) Sumitomo Corporation (10%) (4) Sumitomo Corporation (Hong Kong) Limited (2.5%) (5) Dongguan Metals and Minerals (5%)
Nature of company	:	sino foreign equity joint venture
Total investment	:	HK\$450,000,000
Total registered capital	:	HK\$149,000,000
Date of establishment	:	23rd May, 1994
Term of operation	:	23rd May 1994–22nd May 2024
Principal activities	:	manufacture and sale of cement
Amount of paid-up capital	:	HK\$149,000,000

Note: On 3rd June, 2003, Dongguan Cement Holding entered into an agreement with Dongguan Metals and Minerals for the acquisition of its 5% interest in Dongguan Cement and CR Cement Company, such acquisition is expected to be completed on or before the introduction in July 2003.

Dongguan Concrete

Investors and their respective equity interests in the company	:	Dongguan Concrete Holding
Nature of company	:	wholly foreign owned enterprise
Total investment	:	HK\$20,000,000
Total registered capital	:	HK\$20,000,000
Date of establishment	:	24th June, 2002
Term of operation	:	24th June, 2002–23rd June 2022
Principal activities	:	manufacture and sale of ready mixed concrete
Amount of paid-up capital	:	HK\$12,000,000

Shenzhen Concrete

Investors and their respective equity interests in the company	:	(1) China Resources (Shenzhen) Co., Ltd. (as trustee for Shenzhen Concrete Holding) (70%) (2) 中鐵建廠工程局深圳實業公司 (Zhong Tie Jian Chang Construction Department Shenzhen Industrial Company) (30%)
Nature of company	:	limited liability company
Total investment	:	RMB25,000,000
Total registered capital	:	RMB25,000,000
Date of establishment	:	26th March, 2002
Term of operation	:	26th March, 2002–26th March, 2022
Principal activities	:	production and sale of ready mixed concrete
Amount of paid-up capital	:	RMB25,000,000

Guangxi CR Cement

Investors and their respective equity interests in the company	:	(1) Guangxi CR Cement Holding (70%)
	:	(2) Guangxi Hongshuihe Cement (30%)
Nature of company	:	sino foreign equity joint venture
Total investment	:	RMB200,000,000
Total registered capital	:	RMB200,000,000
Date of establishment	:	24th December, 2001
Term of operation	:	24th December, 2001–23rd December, 2051
Principal activities	:	manufacture and trading of cement and cement products
Amount of paid-up capital	:	RMB200,000,000

廣西華潤紅水河碼頭倉儲有限公司 (Guangxi China Resources Hongshuihe Pier Storage Company Limited)

Investor and their respective equity interests in the company	:	(1) Guangxi CR Cement (95%)
	:	(2) 廣西欽州港紅水河碼頭倉儲有限公司 (Guangxi Qinzhou Harbour Pier Storage Company Limited) (5%)
Nature of company	:	limited liability company
Total investment	:	RMB2,000,000
Total registered capital	:	RMB2,000,000
Date of establishment	:	24th July, 2002
Term of operation	:	24th July, 2002–24th July, 2052
Principal activities	:	pier facility and storage
Amount of paid-up capital	:	RMB2,000,000

湛江華潤紅水河水泥有限公司 (Zhanjiang China Resources Hongshuihe Cement Company Limited)

Investors and their respective equity interests in the company	:	(1) Guangxi CR Cement (51%)
	:	(2) Profit Pool Holdings Limited (49%)
Nature of company	:	sino foreign equity joint venture
Total investment	:	HK\$5,680,000
Total registered capital	:	HK\$5,680,000
Date of establishment	:	3rd March, 2003
Term of operation	:	3rd March, 2003–27th February, 2013
Principal activities	:	production and sale of cement, transportation of cement, storage, construction materials and electricity equipment
Amount of paid-up capital	:	HK\$5,680,000

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

1. Directors

Disclosure of interests

Immediately following completion of the group reorganisation and the introduction, the interests and short positions of the directors in the shares, underlying shares and debentures of the company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein or which will be required to be notified to the company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules are as follows:

Interests in issued ordinary shares of the company and/or its associated corporations

(a) Issued ordinary shares of the company

Name of director	Personal interest	Number of shares held			Total	Approximate percentage of interest (%) (Note 3)
		Family interest	Corporate interest	Other interest		
Ning Gaoning	163,000	Nil	Nil	Nil	163,000 (Note 1)	0.045
Sun Mingquan	Nil	5,000	Nil	Nil	5,000 (Notes 1 and 2)	0.001

Notes:

- As at the latest practicable date, each of Mr. Ning Gaoning and Mr. Huang Junqiang, Madam Sun Mingquan's spouse, held 1,630,000 shares and 50,000 shares in China Resources Enterprise, respectively. Based on such number of China Resources Enterprise shares held, each of Mr. Ning and Mr. Huang are, respectively, expected to receive 163,000 shares and 5,000 shares in the company under the distribution.
- These shares are expected to be held by Madam Sun Mingquan's spouse, Mr. Huang, upon completion of the group reorganisation and the introduction, and therefore Madam Sun Mingquan is deemed by virtue of section 344 of Part XV of the SFO to be interested in these shares when such shares are allotted and issued.
- On the assumption that 362,787,521 shares will be in issue immediately following completion of the group reorganisation and the introduction.

(b) Issued ordinary shares of China Resources Enterprise

Name of director	Personal interest	Number of shares held			Total	Approximate percentage of interest (%) (Note 2)
		Family interest	Corporate interest	Other interest		
Ning Gaoning	1,630,000	Nil	Nil	Nil	1,630,000	0.078
Sun Mingquan	Nil	50,000	Nil	Nil	50,000 (Note 1)	0.002

Notes:

1. These shares are held by Madam Sun Mingquan's spouse, Mr. Huang Junqiang, and therefore Madam Sun Mingquan is deemed by virtue of section 344 of Part XV of the SFO to be interested in these shares.
2. Based on 2,080,405,215 China Resources Enterprises shares in issue as at the latest practicable date.

(c) Issued ordinary shares of China Resources Logic Limited, a subsidiary of China Resources Holdings

Name of director	Personal interest	Number of shares held			Total	Approximate percentage of interest (%) (Note 1)
		Family interest	Corporate interest	Other interest		
Shi Shanbo	96,000	Nil	Nil	Nil	96,000	0.004
Sun Mingquan	50,000	Nil	Nil	Nil	50,000	0.002
Zhou Longshan	200,000	800,000 (Note 2)	Nil	Nil	1,000,000	0.038

Notes:

1. Based on 2,618,151,071 shares of China Resources Logic Limited in issue as at the latest practicable date.
2. These shares are held by Mr. Zhou Longshan's spouse, Madam Lin Hua, and therefore Mr. Zhou is deemed by virtue of section 344 of Part XV of the SFO to be interested in these shares.

Interests in options/underlying shares granted by the company and/or its associated corporations

- (a) Options outstanding under the share option scheme of China Resources Enterprise to subscribe for ordinary shares in China Resources Enterprise

Name of director	Date of grant	Date of expiry	Exercise price (HK\$)	Number of share options outstanding
Jiang Wei	8th March, 2002	7th March, 2012	7.50	600,000
Keung Chi Wang, Ralph	20th June, 2000	19th June, 2010	7.19	1,400,000
	7th February, 2002	6th February, 2012	7.17	500,000
Ning Gaoning	20th June, 2000	19th June, 2010	7.19	3,300,000
	7th February, 2002	6th February, 2012	7.17	1,200,000
Qiao Shibo	7th February, 2002	6th February, 2012	7.17	1,800,000
Shi Shanbo	5th March, 2002	4th March, 2012	7.35	100,000
Sun Mingquan	7th February, 2002	6th February, 2012	7.17	550,000
	5th March, 2002	4th March, 2012	7.35	60,000
Zheng Yi	5th March, 2002	4th March, 2012	7.35	60,000
Zhou Junqing	5th March, 2002	4th March, 2012	7.35	100,000
Zhou Longshan	5th March, 2002	4th March, 2012	7.35	110,000
	14th April, 2003	13th April, 2013	6.29	500,000

Notes:

- Option(s) for 550,000 China Resources Enterprise shares are held by Madam Sun Mingquan's spouse, Mr. Huang Junqiang, and therefore Madam Sun Mingquan is deemed by virtue of section 344 of Part XV of the SFO to be interested in these share options.
- Out of these option(s) for 110,000 China Resources Enterprise shares, option(s) for 50,000 China Resources Enterprise shares are held by Mr. Zhou Longshan's spouse, Madam Lin Hua, and therefore Mr. Zhou is deemed by virtue of section 344 of Part XV of the SFO to be interested in these share options.
- Consideration for each of the above grants is HK\$1.00.

- (b) Options outstanding under the share option scheme of China Resources Logic Limited, a subsidiary of China Resources Holdings, to subscribe for ordinary shares in China Resources Logic Limited

Name of director	Date of grant	Date of expiry	Exercise price (HK\$)	Number of share options outstanding
Jiang Wei	9th April, 2002	8th April, 2012	0.820	720,000
Ning Gaoning	2nd October, 2002	1st October, 2012	0.570	2,000,000
	9th April, 2003	8th April, 2013	0.479	1,000,000
Shi Shanbo	9th April, 2002	8th April, 2012	0.82	120,000
Sun Mingquan	9th April, 2002	8th April, 2012	0.82	60,000
Zheng Yi	9th April, 2002	8th April, 2012	0.82	60,000
Zhou Junqing	9th April, 2002	8th April, 2012	0.82	120,000
Zhou Longshan	9th April, 2002	8th April, 2012	0.82	120,000 <i>(Note 1)</i>

Notes:

1. Out of the option(s) for 120,000 shares, option(s) for 60,000 shares are held by Mr. Zhou Longshan's spouse, Madam Lin Hua, and therefore Mr. Zhou is deemed by virtue of section 344 of Part XV of the SFO to be interested in these share options.
2. Consideration for each of the above grants is HK\$1.00.

- (c) Options outstanding under the share option scheme of China Resources Land Limited, a subsidiary of China Resources Holdings, to subscribe for ordinary shares in China Resources Land Limited

Name of director	Date of grant	Date of expiry	Exercise price (HK\$)	Number of share options outstanding
Jiang Wei	4th March, 2002	3rd March, 2012	1.590	720,000
Keung Chi Wang, Ralph	27th June, 1997	27th May, 2007	4.592	2,000,000
	20th July, 2000	27th May, 2007	0.990	1,300,000
Ning Gaoning	27th June, 1997	27th May, 2007	4.592	2,500,000
	20th July, 2000	27th May, 2007	0.99	2,500,000
Shi Shanbo	4th March, 2002	3rd March, 2012	1.59	120,000
Sun Mingquan	4th March, 2002	3rd March, 2012	1.59	80,000
Zheng Yi	4th March, 2002	3rd March, 2012	1.59	80,000
Zhou Junqing	4th March, 2002	3rd March, 2012	1.59	120,000
Zhou Longshan	4th March, 2002	3rd March, 2012	1.59	140,000 (Note 1)

Notes:

1. Out of the option(s) for 140,000 shares, option(s) for 60,000 shares are held by Mr. Zhou Longshan's spouse, Madam Lin Hua, and therefore Mr. Zhou is deemed by virtue of section 344 of Part XV of the SFO to be interested in these share options.
2. Consideration for each of the above grants is HK\$1.00.

2. Shareholders with notifiable interests

Immediately following completion of the group reorganisation and the introduction, in addition to the interests disclosed under paragraph 1 above, so far as the directors are aware, the following persons are expected to have interests or short positions in the shares and underlying shares of the company which are required to be disclosed to the company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the company:

Name of interested party	Number of shares in which the interested party is deemed to have interests or short positions	Approximate percentage of shareholding
China Resources National Corporation (“CRNC”) (Note)	270,124,647	74.5
華潤股份有限公司 (China Resources Co., Limited) (Note)	270,124,647	74.5
CRC Bluesky Limited (Note)	270,124,647	74.5
China Resources Holdings (Note)	270,124,647	74.5

Note: China Resources Holdings is expected to be interested in approximately 270,124,647 shares in the company upon completion of the group reorganisation and the introduction calculated on the basis of 2,080,405,215 China Resources Enterprise shares in issue as at the latest practicable date. As at the latest practicable date, the China Resources group was undergoing a group reorganisation (different from the one referred to in the “Group Reorganisation” section in this prospectus). Following such reorganisation, part of which is scheduled to complete prior to the listing of the company, China Resources Holdings will remain as the immediate holding company of the company and 華潤股份有限公司 (China Resources Co., Limited) and CRC Bluesky Limited, both to be ultimately owned by CRNC as to more than 99%, will become the intermediate holding companies of China Resources Holdings. Each of CRNC, 華潤股份有限公司 (China Resources Co., Limited) and CRC Bluesky Limited is deemed by virtue of section 316 of Part XV of the SFO to have the same interests or short positions in the shares and underlying shares as those of China Resources Holdings.

Immediately following completion of the group reorganisation and the introduction, so far as is known to the directors, the following persons are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of the enlarged group:

Name of company	Name of the substantial shareholder	Approximate percentage of interests held
China Resources Cement Company Limited	(1) Sumitomo Corporation and its associate, Sumitomo Corporation (Hong Kong) Limited	12.5
	(2) UBE Industries, Ltd.	12.5
Dongguan China Resources Cement Manufactory Co., Ltd.	(1) Sumitomo Corporation and its associate, Sumitomo Corporation (Hong Kong) Limited	12.5
	(2) UBE Industries, Ltd.	12.5
Guangxi China Resources Hongshuihe Cement Co., Ltd.	Guangxi Hongshuihe Cement Joint Stock Company Limited	30
Shenzhen China Resources Tiejian Concrete Co., Ltd.	Zhong Tie Jian Chang Construction Department Shenzhen Industrial Company	30
Zhanjiang China Resources Hongshuihe Cement Company Limited	Profit Pool Holdings Limited	49

3. Directors' remuneration

The aggregate amount of salaries, housing allowances, other allowances and benefits in kind paid by the company and its subsidiaries to the directors for the year ended 31st December, 2002 was approximately HK\$1.0 million.

Save as disclosed, no other emoluments have been paid or are payable, in respect of the year ended 31st December, 2002 by members of the enlarged group to the directors.

Under the arrangements currently in force, the company estimates that the aggregate remuneration including benefits in kind of the directors payable by the company and of the members of the enlarged group for the year ending 31st December, 2003 will be approximately HK\$2.4 million.

There is no service contract between the company and any of the directors.

4. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the directors has any interest or short positions in the shares, underlying shares or debentures of the company or any of its associated corporations (within the meaning of Part XV of the SFO) which, once the shares are listed, will be required to be notified to the company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which, once the shares are listed, will be required to be notified to the company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules
- (b) so far as is known to the directors, immediately following completion of the group reorganisation and the introduction, no other persons are expected to have interests or short positions in the shares and underlying shares of the company which are required to be disclosed to the company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor is it expected that there are any other persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the enlarged group.
- (c) there is no existing or proposed service contract (excluding contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)) between any member of the enlarged group and any of the directors;
- (d) none of the directors or any of the persons referred to in the paragraph headed “Consents of experts” of this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus acquired or disposed of by or leased to, any company within the enlarged group, or are proposed to be so acquired, disposed of or leased;
- (e) none of the directors or any of the persons referred to in the paragraph headed “Consents of experts” of this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of any company within the enlarged group;
- (f) none of the persons referred to in paragraph headed “Consents of experts” of this appendix has any shareholding in any member of the group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company within the enlarged group;
- (g) none of the directors or their associates (as defined in the Listing Rules) or any shareholder of the company (which to the knowledge of the directors owns more than 5% of the issued share capital of the company following the group reorganisation and the introduction) has any interest in any of the five largest suppliers or five largest customers of any company within the enlarged group; and

- (h) no amount or benefit has been paid or given within the two years preceding the date of this prospectus to any promoter, if any, of the company nor is any such amount or benefit intended to be paid or given.

D. OTHER INFORMATION

1. Estate duty and taxation

The directors have been advised that no material liability for estate duty is likely to fall on any company within the enlarged group in the Cayman Islands, the British Virgin Islands, Hong Kong and the PRC, being jurisdictions in which one or more of the companies comprising the enlarged group are incorporated.

2. Indemnities from China Resources Holdings

China Resources Holdings has undertaken to indemnify the company or relevant members of the enlarged group in full in respect of any losses, damages, obligations or liabilities of whatever nature (including all interests or penalties accrued or payable) arising out of or in connection with, among other things, title defects of certain property interests of the acquired companies and, to the extent applicable, compliance with the domestic and export sales ratio of members of the enlarged group.

China Resources Holdings has undertaken to execute, on completion of acquisition, a deed of tax indemnity to indemnify the company or relevant members of the enlarged group in respect of, among other matters, any taxation which might be payable by any member of the acquired companies in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date of completion of the acquisition.

China Resources Holdings will, however, not be liable under the deed of indemnity for taxation where provision or reserve has been made for such taxation in the audited accounts of the acquired companies for the three years ended 31st December, 2002; and in respect of which provision or reserve has been made in such accounts which is insufficient only by reason of any increase in rates of such the taxation after the date of the deed of indemnity, with retrospective effect.

3. Litigation

None of the companies within the enlarged group is engaged in any litigation or arbitration of material importance and, so far as the directors are aware, no litigation, arbitration or claims of material importance is pending or threatened against any company within the enlarged group.

4. Sponsor

Anglo Chinese has made an application on behalf of the company to the Listing Committee for listing of and permission to deal in the shares in issue and to be issued as mentioned herein including shares to be issued pursuant to the bonus issue, shares to be issued to China Resources Holdings upon completion of the acquisition and shares, not exceeding 10% of the total issued share capital of the company as at the listing date, falling to be issued pursuant to the exercise of any options to be granted under the share option scheme.

5. Agency fees or commissions received

The sponsor will receive an advisory fee in relation to the introduction. Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms had been granted in connection with the issue or sale of the shares or loan capital of any company within the enlarged group within the two years preceding the date of this prospectus.

6. Preliminary expenses

The preliminary expenses of the company are estimated to be approximately HK\$7.0 million and are payable by the company.

7. Promoter

The company does not have a promoter.

8. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Anglo Chinese Corporate Finance, Limited	deemed licensed corporation under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
DTZ Debenham Tie Leung Limited	Chartered surveyors, property consultants, plant and machinery valuers, financial and intangible asset valuers
Global Law Office	PRC lawyers
Maples and Calder Asia	Cayman Islands attorneys-at-law
Chan & Wong Architects and Engineers Ltd.	Registered structural engineers and registered architects
Albert So Surveyors Limited	Registered professional surveyors

9. Consents of experts

Each of Anglo Chinese, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited, Global Law Office, Maples and Calder Asia, Chan & Wong Architects and Engineers Ltd. and Albert So Surveyors Limited has given and has not withdrawn its written consent to the issue of this prospectus with inclusion of its report and, or letter and, or valuation certificates and, or opinion and, or the references to its name in the form and context in which they are respectively included.

10. Related party transactions

Members of the enlarged group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in the section headed “Related party transactions” of the respective accountants’ reports set out in appendices I to IV and the paragraph headed “Connected transactions” in this prospectus.

11. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance of Hong Kong so far as applicable.

12. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years preceding the date of this prospectus, no share or loan capital of any company within the enlarged group has been issued or agreed to be issued fully or partly paid either for cash or a consideration other than cash;
- (b) no share or loan of any company within the enlarged group is under option or is agreed conditionally or unconditionally to be put under option;
- (c) the directors confirm that since 31st December, 2002 there has been no material adverse change in the financial or trading position of any company within the group;
- (d) there are no founders, management or deferred shares in any company within the group;
- (e) there has not been any interruption in the business of the enlarged group which may have or have had a material adverse effect on the financial position of the group in the 12 months preceding the date of this prospectus;
- (f) no major change in the nature of business of the enlarged group is being contemplated by the directors following the listing of the shares on the Stock Exchange; and
- (g) the company has no outstanding convertible debt securities.

No company within the enlarged group is presently listed on any stock exchange or traded on any trading system.

All necessary arrangements have been made to enable the shares to be admitted into CCASS for clearing and settlement.

The English text of this prospectus shall prevail over the Chinese text.