
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Resources Cement Holdings Limited, you should at once hand this circular to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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華潤水泥控股有限公司 China Resources Cement Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

ON-GOING CONNECTED TRANSACTIONS

**Financial adviser to
China Resources Cement Holdings Limited**

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

**Independent financial adviser to
the independent board committee of
China Resources Cement Holdings Limited**

 **SOMERLEY LIMITED**

A letter from the independent board committee of China Resources Cement Holdings Limited containing its recommendation is set out on page 9 of this circular.

A letter from Somerley Limited, the independent financial adviser, containing its advice to the independent board committee of China Resources Cement Holdings Limited is set out on pages 10 to 16 of this circular.

A notice convening an extraordinary general meeting of China Resources Cement Holdings Limited to be held at 4:00 p.m. on Wednesday, 12th November, 2003, at 49th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong is set out on pages 27 to 28 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed. Whether or not you are able to attend and vote at the extraordinary general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's head office at Room 4107, 41st Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from subsequently attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

27th October, 2003

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“Acquisition”	the acquisition of the Redland Precast Group by the Group in August 2003
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“China Resources Holdings”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, the controlling Shareholder
“Company”	China Resources Cement Holdings Limited, a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Enlarged Group”	the Group and the Redland Precast Group
“Extraordinary General Meeting”	extraordinary general meeting of the Company to be convened and held at 4:00 p.m. on Wednesday, 12th November, 2003 at 49th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
“Group”	the Company and its subsidiaries other than the Redland Precast Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising the independent non executive Directors, namely Mr. Chan Mo Po, Paul, Mr. Lin Zongshou and Mr. Lui Pui Kee, Francis, which has been established to advise the Independent Shareholders as regards the Transactions and the Waiver
“Independent Shareholders”	Shareholders other than China Resources Holdings and its associates

DEFINITIONS

“Latest Practicable Date”	20th October, 2003, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Companies
“Prospectus”	Prospectus of the Company dated 26th June, 2003
“PRC”	The People’s Republic of China
“Redland Precast”	Redland Precast Concrete Products Limited, a company incorporated in Hong Kong with limited liability
“Redland Precast Group”	Redland Precast and its subsidiaries
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sommerley”	Sommerley Limited, a licensed corporation under the SFO, the independent financial adviser to the Independent Board Committee
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strong Progress”	Strong Progress Limited, a subsidiary of China Resources Holdings
“Transactions”	Purchases of steel products from Strong Progress by Redland Precast Group after completion of the Acquisition
“Waiver”	Conditional waiver in respect of the Transactions from strict compliance with the requirements for disclosure and Shareholders’ approval
“HK\$”	Hong Kong dollar
“%”	Per Cent

LETTER FROM THE BOARD



華潤水泥控股有限公司 China Resources Cement Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Executive Directors:

Qiao Shibo
Shi Shanbo
Zhou Junqing
Zhou Longshan
Sun Mingquan
Zheng Yi

Registered office:

P.O. Box 309GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

Non executive Directors:

Ning Gaoning
Jiang Wei
Keung Chi Wang, Ralph

Head office:

Room 4107, 41st Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Independent non executive Directors:

Chan Mo Po, Paul
Lin Zongshou
Lui Pui Kee, Francis

27th October, 2003

To the Shareholders

Dear Sir or Madam,

ON-GOING CONNECTED TRANSACTIONS

INTRODUCTION

On 6th October, 2003, the Board announced that since completion of the Acquisition, the Redland Precast Group has secured several large scale infrastructure projects and there are several other projects under negotiations. The Redland Precast Group, in its normal course of business, purchases steel products from Strong Progress as raw material. The Transactions constitute on-going connected transactions of the Company under the Listing Rules.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information on the Transactions, the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders relating to the Transactions and the Waiver, and the letter from Somerley, the independent financial adviser to the Independent Board Committee containing its advice to the Independent Board Committee on the Transactions and the Waiver, and the notice of the Extraordinary General Meeting to be held for the Independent Shareholders to consider and, if thought fit, to approve the Transactions and the Waiver.

BACKGROUND

On 1st August, 2003, the Directors announced that the Company's wholly owned subsidiary, Redland Concrete Limited, entered into an agreement with Grand Max Investment Limited on 30th July, 2003 for acquisition of the 50% shareholding interests in Redland Precast held by Grand Max Investment Limited. Grand Max Investment Limited was then owned and controlled by Mr. Chan Siu Cheung, a former director of Redland Concrete Limited, who resigned as director of Redland Concrete Limited with effect from 11th November, 2002. Upon completion of the Acquisition on 12th August, 2003, Redland Precast became a wholly owned subsidiary of the Company.

After the Acquisition, the Group has absolute control over the expansion plan of the Redland Precast Group and absolute flexibility as to the financial arrangements for the Redland Precast Group. In view of the increased business opportunities for precast concrete products in Hong Kong and the PRC provided by new possible infrastructure projects arising as a result of the Closer Economic Partnership Arrangement between Hong Kong and the PRC, the Redland Precast Group will have an ample opportunity to capitalize on this latest economic development as the Directors consider Redland Precast as one of the market leaders in the production of precast concrete products in Hong Kong.

ON-GOING CONNECTED TRANSACTIONS

The Redland Precast Group, in its normal course of business, purchases steel products from Strong Progress as raw material. Strong Progress is engaged in distribution of steel products and is a wholly owned subsidiary of China Resources Holdings, which has approximately 74.5% equity interest in the Company. Accordingly, Strong Progress is a connected person of the Company and the Transactions constitute on-going connected transactions of the Company under the Listing Rules.

The purchase prices under the Transactions are negotiated on an arm's length basis between Strong Progress and the Redland Precast Group. The Directors confirm that the prices and terms of the purchases from Strong Progress are comparable to the prevailing market prices and consider that the purchases are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned. For each of the three years ended 31st December, 2002 and the six

LETTER FROM THE BOARD

months ended 30th June, 2003, the aggregate consideration paid by the Redland Precast Group for purchases of steel products from Strong Progress amounted to approximately HK\$10.7 million, HK\$19.4 million, HK\$12.1 million and HK\$2.3 million respectively, which is equal to approximately 1.9%, 3.6%, 1.9% and 0.7% of the total unaudited cost of sales of the Group.

With the enhancement of marketing efforts since completion of the Acquisition, the Redland Precast Group has secured several large scale infrastructure projects and there are several other projects under negotiation. Since completion of the Acquisition, the aggregate consideration paid by Redland Precast Group for purchases of steel products from Strong Progress amounted to approximately HK\$850,000. The Directors estimate that the purchases of steel products from Strong Progress from the date of completion of the Acquisition to 31st December, 2003 will be less than HK\$10 million.

The Directors estimate that the Transactions will not be more than 10% of the Enlarged Group's total cost of sales for each of the years ending 31st December, 2004 and 2005. The value of the Transactions is estimated with reference to the demand of steel products for the projects on hand and under negotiation. The Enlarged Group's total cost of sales is estimated with reference to the cost of sales of the Group for the six months ended 30th June, 2003 and the expected cost of sales of the Redland Precast Group based on the projects on hand and under negotiation. With projects on hand and under negotiation, the expected sales of the Redland Precast Group for 2004 is approximately 2.1 times the sales for 2002. Because of the different specifications of structural strength, precast products for infrastructure projects will utilise more steel products than those for building projects. As there are more infrastructure projects on hand and under negotiation in the coming years, the percentage increase in use of steel products will be relatively higher than the percentage increase in turnover.

WAIVER FROM THE STOCK EXCHANGE

The Transactions constitute connected transactions under rule 14.26 of the Listing Rules. Application has been made by the Company to the Stock Exchange for the Waiver for a period of three financial years ending 31st December, 2005 subject to the conditions that:

- a. the Transactions are:
 - entered into by the Group in the ordinary and usual course of its business;
 - entered into on an arm's length basis and conducted either (i) on normal commercial terms, or (ii) where there is no available comparison, on terms no less favourable to the Group than those available to or from independent third parties; and

LETTER FROM THE BOARD

- entered into either (i) in accordance with the terms of the agreements governing the Transactions or (ii) where there are no such agreements, on terms that are fair and reasonable so far as the Shareholders are concerned.
- b. the relevant amount of the Transactions for each of the financial year shall not exceed the cap as mentioned above (10% of the Enlarged Group's total cost of sales for each of the years ending 31st December, 2004 and 2005);
- c. the Transactions and waiver limit are approved by the Independent Shareholders at the Extraordinary General Meeting;
- d. the independent non executive Directors shall review the Transactions annually and confirm in the Company's next annual report that these were conducted in the manner as stated above;
- e. the Company's auditors shall review the Transactions annually and confirm annually in a letter to the Directors, a copy of which shall be provided to the Stock Exchange by the Directors, stating whether:
- the Transactions have received the approval of the Board;
 - the Transactions have been entered into in accordance with the terms and conditions of the agreement governing the Transactions or, when there is no such agreement, on terms no less favourable than terms available from independent third parties; and
 - the cap amount has not been exceeded;

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

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

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

LETTER FROM THE BOARD

NATURE OF BUSINESS OF THE GROUP

The Company is a listed company on the Stock Exchange and the business of the Group includes the production, distribution and sale of cement, concrete, mortars, shotcrete and precast concrete products in Hong Kong and the PRC.

NATURE OF BUSINESS OF THE REDLAND PRECAST GROUP

The Redland Precast Group is principally engaged in producing facades and balconies, precast concrete segments and glass fibre concrete segments in the PRC and its main customers are civil engineering and building concerns, including the Hong Kong Government, quasi government organizations, property developers and construction contractors in Hong Kong.

BENEFITS OF THE TRANSACTIONS

The Directors consider the Transactions to be in the best interests of the Group as the quality and pricing of steel products provided by Strong Progress are on comparable or better terms to those available in the prevailing market.

EXTRAORDINARY GENERAL MEETING

Set out on pages 27 to 28 of this circular is a notice of the Extraordinary General Meeting at which an ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, to approve the Transactions and the Waiver.

China Resources Holdings and its associates will abstain from voting at the Extraordinary General Meeting.

Whether or not you propose to attend the Extraordinary General Meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's head office at Room 4107, 41st Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time appointed for holding the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the Transactions and the Waiver are in the interest of the Company and recommend the Independent Shareholders to vote in favour of the resolution as set out in the notice of the Extraordinary General Meeting.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
for and on behalf of
China Resources Cement Holdings Limited
Qiao Shibo
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



華潤水泥控股有限公司 China Resources Cement Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

27th October, 2003

To the Independent Shareholders

Dear Sir or Madam,

ON-GOING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 27th October, 2003 (the “Circular”) of which this letter forms part. Under the Listing Rules, the Transactions constitute on-going connected transactions for the Company. The Company has applied to the Stock Exchange for a waiver from strict compliance with the relevant disclosure and shareholders’ approval requirements as stipulated in Chapter 14 of the Listing Rules. Capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders in connection with the Transactions and the Waiver, details of which are contained in the letter from the Board set out on pages 3 to 8 of the Circular.

We wish to draw your attention to the letter of advice from Somerley as set out on pages 10 to 16 of the Circular. We have considered this letter and the advice contained therein and the various factors contained in the letter from the Board.

Having reviewed the information contained in the letter from the Board and taking into account the advice of Somerley, we consider that the Transactions and the Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the Extraordinary General Meeting.

Yours faithfully,

Chan Mo Po, Paul

Lin Zongshou

Lui Pui Kee, Francis

Independent Board Committee

LETTER FROM SOMERLEY

The following is the letter of advice from Somerley to the Independent Board Committee prepared for the purpose of inclusion in this circular.



Somerley Limited
Suite 3108
One Exchange Square
8 Connaught Place
Central
Hong Kong

27th October, 2003

The Independent Board Committee
China Resources Cement Holdings Limited
Rooms 4107, China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

ON-GOING CONNECTED TRANSACTIONS

We refer to our appointment to advise the Independent Board Committee as regards the on-going connected transactions relating to the purchases of steel products by the Redland Precast Group from Strong Progress and the application made by the Company to the Stock Exchange for a waiver from strict compliance with Rules 14.25 and 14.26 of the Listing Rules on each occasion such a transaction arises. Details of the Transactions and the Waiver application are set out in the circular of the Company dated 27th October, 2003 (the “Circular”), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

The Independent Board Committee, comprising the independent non executive Directors, namely Mr. Chan Mo Po, Paul, Mr. Lin Zongshou and Mr. Lui Pui Kee, Francis, has been constituted to consider whether the Transactions and the Waiver are fair and reasonable and to make a recommendation to the Independent Shareholders on how to vote at the Extraordinary General Meeting. We have been appointed to advise the Independent Board Committee in this respect.

LETTER FROM SOMERLEY

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and the directors of Redland Precast. We have sought and received confirmation from the Directors that no material factors have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that we have been provided with sufficient information to reach an informed view and have no reason to believe that any material information has been withheld, nor to doubt the truth or accuracy of the information provided. We have not, however, conducted an independent investigation into the affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the Transactions and the Waiver are fair and reasonable, we have taken into account the principal factors and reasons set out below:–

(A) Background

The Redland Precast Group was established in the early 1990's and is principally engaged in producing facades and balconies, precast concrete segments and glass fibre concrete segments in the PRC. Its main customers are civil engineering and building concerns, including the Hong Kong Government, quasi government organizations, property developers and construction contractors in Hong Kong. In recent years, the Redland Precast Group has derived substantial revenue from supplying precast concrete products to major infrastructure projects including KCRC East Rail, KCRC West Rail and the Hung Hom Bypass. The Redland Precast Group was recently awarded a number of large-scale infrastructure projects and has tendered for several further large-scale infrastructure projects.

On 30th July, 2003, Redland Concrete Limited, a wholly owned subsidiary of the Company, entered into an agreement with Grand Max Investment Limited, a company owned and controlled by a former director of Redland Concrete Limited. Pursuant to such agreement, Redland Concrete Limited agreed to acquire from Grand Max Investment Limited its 50% shareholding interest in Redland Precast. The acquisition was completed on 12th August, 2003. Since then, Redland Precast became a wholly owned subsidiary of the Company.

The Redland Precast Group, in its normal course of business, purchases steel products as raw materials. In the past years, Redland Precast Group has been purchasing steel products from various steel product suppliers including Strong Progress, a wholly owned subsidiary of China Resources (Holdings) Company Limited, which holds 74.5% of the issued Shares. After Redland Precast became a subsidiary of the Company, transactions between Redland Precast Group and Strong Progress constituted connected transactions of the Company, requiring certain public disclosures to be made and prior Independent Shareholders' approval

LETTER FROM SOMERLEY

pursuant to Rules 14.25 and 14.26 of the Listing Rules. As the aggregate consideration paid by the Redland Precast Group to Strong Progress for such steel products since Redland Precast became a wholly owned subsidiary of the Company in August 2003 amounted to less than HK\$1 million, no disclosure or Independent Shareholders' approval has so far been required under Rule 14.24 (5) of the Listing Rules.

(B) Reasons for purchasing steel products from Strong Progress

Redland Precast recently secured and tendered for several large-scale infrastructure projects in Hong Kong and the PRC. Based on the specification of projects on hand, its annual consumption of steel products up to the end of 2005 is estimated at 28,000 metric tonnes. In order to secure a steady supply of steel products, on 15th September, 2003 Redland Precast obtained a confirmation from Strong Progress (the "Confirmation") pursuant to which Strong Progress agreed to supply to Redland Precast 19,120 metric tonnes of steel products from mid September 2003 up to the end of 2004 on pre-determined terms, including price.

The Confirmation only secured supply for steel products up to the end of 2004. In order to secure the supply of steel products up to 2005, Redland Precast obtained a letter of comfort from Strong Progress (the "Letter of Comfort") pursuant to which Strong Progress confirmed it will supply steel products to the Redland Precast Group on terms including price no less favourable than the quotations obtained by the Redland Precast Group from reputable independent steel product suppliers from time to time up to the end of 2005.

In considering whether a decision to continue to purchase steel products from Strong Progress is fair and reasonable as far as the Group is concerned, we have reviewed and compared the terms, in particular the price of the steel products, offered by Strong Progress to Redland Precast Group under the Confirmation and the Letter of Comfort with quotations for the same products obtained from other steel products suppliers. Based on our review, we are satisfied that the terms, including the prices offered by Strong Progress are no less favourable than those offered by other reputable independent steel product suppliers.

(C) Reasons for the Waiver

The Company has applied for the Waiver because it is not practical in terms of timing for the Company to comply fully with the Listing Rules requirements applicable to connected transactions before each Transaction.

The Waiver is subject to the terms and conditions as more particularly discussed below. One of the conditions is that the Waiver will be applicable for future Transactions to the extent that the total value of the Transactions for each of the years ending 31st December, 2004 and 2005 shall not exceed 10% of the Enlarged Group's total cost of sales (the "Cap").

LETTER FROM SOMERLEY

(i) *Basis of the Cap*

As discussed with the Directors and directors of Redland Precast Group, the Cap was determined with reference to (i) the estimated total cost of steel products of 7.5% of the Enlarged Group's total cost of sale in 2005; (ii) the chances of being successfully awarded the projects tendered for by Redland Precast Group; and (iii) for the fluctuation of market price of the steel products. To assess whether the basis of the Cap is fair and reasonable, we have reviewed the following factors:

(a) *Demand for steel products*

The majority of the precast concrete products produced by Redland Precast Group during 2000 to 2003 were facades and balconies, precast concrete segments and glass fibre concrete segments for buildings. The costs of steel products purchased by Redland Precast Group from Strong Progress in 2000, 2001 and 2002 amounted to HK\$10.7 million, HK\$19.4 million and HK\$12.1 million, representing approximately 1.9%, 3.6% and 1.9% of the total cost of sales of the Group respectively. The management of the Redland Precast Group expected that this percentage would drop to approximately 1.0% for 2003, reflecting the declining trend in the property construction and civil engineering sector in Hong Kong.

Redland Precast Group has recently secured and has also tendered for several large-scale infrastructure projects in Hong Kong and the PRC. The infrastructure projects recently secured by Redland Precast Group involve supplying railroad sleepers for construction of railways and other precast concrete products for several viaducts. The projects tendered for which the management consider the chances of success are high involve supplying precast concrete products for bridges, flyovers and highways. As the specification of precast concrete products for these infrastructure projects requires a significantly higher content of steel than for facades and balconies, precast concrete segments and glass fibre concrete segments for buildings, the directors of Redland Precast Group estimate that the total cost of steel products will increase to approximately 7.1% and 7.5% of the total cost of sales of the Enlarged Group for 2004 and 2005 respectively.

(b) *Historical fluctuation of steel price*

The management of Redland Precast Group has advised us that the significant increase in the estimated costs of steel products for 2004 and 2005 is also attributable to the increase in market price of steel products. According to

LETTER FROM SOMERLEY

the directors of Redland Precast Group, the price of such steel products has increased from approximately HK\$1,600 per metric tonne in 2001 to approximately HK\$2,500 per metric tonne at present. The Directors consider that obtaining the Confirmation and the Letter of Comfort from Strong Progress enables the Redland Precast Group to secure a steady supply of steel and to minimise the effect of fluctuations in the market price of steel on the Group.

Based on the above, we consider that the level of Cap was made by the Directors after due and careful consideration and is reasonable for the purpose of the Waiver.

(ii) *Other conditions of the Waiver*

As stated in the letter from the Board, in addition to the Cap amount, the Waiver is subject to other conditions as follows:

- (a) the Transactions are:
- entered into by the Group in the ordinary and usual course of its business;
 - entered into on an arm's length basis and conducted either (i) on normal commercial terms, or (ii) where there is no available comparison, on terms no less favourable to the Group than those available to or from independent third parties; and
 - entered into either (i) in accordance with the terms of the agreements governing the Transactions or (ii) where there are no such agreement, on terms that are fair and reasonable so far as the Shareholders are concerned;
- (b) the relevant amount of the Transactions for each of the financial year shall not exceed the Cap;
- (c) the Transactions and the Cap are approved by the Independent Shareholders at the Extraordinary General Meeting;
- (d) the independent non executive Directors shall review the Transactions annually and confirm in the Company's next annual report that these were conducted in the manner as stated above;

LETTER FROM SOMERLEY

- (e) the Company's auditors shall review the Transactions annually and confirm annually in a letter to the Directors, a copy of which shall be provided to the Stock Exchange by the Directors, stating whether:
- the Transactions have received the approval of the Board;
 - the Transactions have been entered into in accordance with the terms and conditions of the agreement governing the Transactions or, when there is no such agreement, on terms no less favourable than terms available from independent third parties; and
 - the Cap amount has not been exceeded;

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

- (f) details of the Transactions in each financial year shall be disclosed as required under Rule 14.25(1)(A) to (D) of the Listing Rules in the annual report of the Company for that financial year.

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

On this basis, we are of the view that the interests of the Shareholders will be properly safeguarded.

LETTER FROM SOMERLEY

OPINION

Having taking into account the above factors and reasons, we consider that the Transactions and the Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Extraordinary General Meeting to approve the Transactions and the Waiver.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
M. N. Sabine
Chairman

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which have been 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 the Directors and chief executive of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

Long position in the shares and underlying shares of:*(a) The Company*

Name of Director	Capacity	Number of shares held	Underlying shares	Total	Aggregate long position in shares and underlying shares to issued share capital of the Company (%)
Ning Gaoning	Beneficial Owner	163,000	–	163,000	0.045%

(b) China Resources Enterprise, Limited (“CRE”), an associated corporation of the Company

Name of Director	Capacity	Number of shares held	Underlying shares	Total	Aggregate
					long position in the shares and underlying shares to issued share capital of CRE (%)
Qiao Shibo	Beneficial owner	–	1,800,000	1,800,000	0.086
Shi Shanbo	Beneficial owner	–	100,000	100,000	0.005
Zhou Junqing	Beneficial owner	–	100,000	100,000	0.005
Zhou Longshan	Beneficial owner	–	560,000	560,000	0.027
	Interest of spouse	–	50,000	50,000	0.002
Sun Mingquan	Beneficial owner	–	60,000	60,000	0.003
	Interest of spouse	–	550,000	550,000	0.026
Zheng Yi	Beneficial owner	–	60,000	60,000	0.003
Ning Gaoning	Beneficial owner	1,630,000	4,500,000	6,130,000	0.294
Jiang Wei	Beneficial owner	–	600,000	600,000	0.029
Keung Chi Wang, Ralph	Beneficial owner	–	1,900,000	1,900,000	0.091

Underlying shares represented by options outstanding under the two share option schemes of CRE (the old scheme being adopted on 17th September, 1992, amended on 17th June, 1999 and terminated on 31st January, 2002 and the new scheme being adopted on 31st January, 2002) to subscribe for ordinary shares in CRE are as follows:

Name of Director	Date of grant	Date of expiry	Exercise price (HK\$)	Number of underlying shares
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
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

Name of Director	Date of grant	Date of expiry	Exercise price (HK\$)	Number of underlying shares
Sun Mingquan	7th February, 2002	6th February, 2012	7.17	550,000 (Note 2)
	5th March, 2002	4th March, 2012	7.35	60,000
Zheng Yi	5th March, 2002	4th March, 2012	7.35	60,000
Ning Gaoning	20th June, 2000	19th June, 2010	7.19	3,300,000
	7th February, 2002	6th February, 2012	7.17	1,200,000
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

Notes:

1. Out of these options for 110,000 shares in CRE, options for 50,000 shares are held by Mr. Zhou Longshan's spouse, and therefore Mr. Zhou is deemed to be interested in these share options.
2. Options for 550,000 shares in CRE are held by Ms. Sun Mingquan's spouse, and therefore Ms. Sun is deemed to be interested in these share options.
3. Consideration for each of the above grants is HK\$1.00.

(c) *China Resources Logic Limited (“CR Logic”), an associated corporation of the Company*

Name of Director	Capacity	Number of shares held	Underlying shares	Total	Aggregate
					long position in the shares and underlying shares to issued share capital of CR Logic (%)
Shi Shanbo	Beneficial owner	96,000	120,000	216,000	0.008
Zhou Junqing	Beneficial owner	–	120,000	120,000	0.005
Zhou Longshan	Beneficial owner	200,000	60,000	260,000	0.010
	Interest of spouse	800,000	60,000	860,000	0.033
Sun Mingquan	Beneficial owner	50,000	60,000	110,000	0.004
Zheng Yi	Beneficial owner	–	60,000	60,000	0.002
Ning Gaoning	Beneficial owner	–	3,000,000	3,000,000	0.115
Jiang Wei	Beneficial owner	–	720,000	720,000	0.028

Underlying shares represented by options outstanding under the two share option schemes of CR Logic (the old scheme being adopted on 15th October, 1994 and terminated on 26th November, 2001, and the new scheme being adopted on 26th November, 2001 and amended on 21st February, 2002), to subscribe for ordinary shares in CR Logic are as follows:

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

Notes:

1. Out of the options for 120,000 shares in CR Logic, options for 60,000 shares are held by Mr. Zhou Longshan's spouse, and therefore Mr. Zhou is deemed to be interested in these share options.
2. Consideration for each of the above grants is HK\$1.00.

(d) China Resources Land Limited (“CR Land”), an associated corporation of the Company

Name of Director	Capacity	Number of shares held	Underlying shares	Total	Aggregate long position in the shares and underlying shares to issued share capital of CR Land (%)
Shi Shanbo	Beneficial owner	–	120,000	120,000	0.008
Zhou Junqing	Beneficial owner	–	120,000	120,000	0.008
Zhou Longshan	Beneficial owner	–	80,000	80,000	0.005
	Interest of spouse	–	60,000	60,000	0.004
Sun Mingquan	Beneficial owner	–	80,000	80,000	0.005
Zheng Yi	Beneficial owner	–	80,000	80,000	0.005
Ning Gaoning	Beneficial owner	–	5,000,000	5,000,000	0.333
Jiang Wei	Beneficial owner	–	720,000	720,000	0.048
Keung Chi Wang, Ralph	Beneficial owner	–	3,300,000	3,300,000	0.220

Underlying shares represented by options outstanding under the two share option schemes of CR Land (the old scheme being adopted on 28th May, 1997 and terminated on 31st January, 2002, and the new scheme being adopted on 31st January, 2002), to subscribe for ordinary shares in CR Land are as follows:

Name of Director	Date of grant	Date of expiry	Exercise price (HK\$)	Number of underlying shares
Shi Shanbo	4th March, 2002	3rd March, 2012	1.590	120,000
Zhou Junqing	4th March, 2002	3rd March, 2012	1.590	120,000
Zhou Longshan	4th March, 2002	3rd March, 2012	1.590	140,000 (Note 1)
Sun Mingquan	4th March, 2002	3rd March, 2012	1.590	80,000
Zheng Yi	4th March, 2002	3rd March, 2012	1.590	80,000

Name of Director	Date of grant	Date of expiry	Exercise price (HK\$)	Number of underlying shares
Ning Gaoning	27th June, 1997	27th May, 2007	4.592	2,500,000
	20th July, 2000	27th May, 2007	0.990	2,500,000
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

Notes:

1. Out of the options for 140,000 shares in CR Land, options for 60,000 shares are held by Mr. Zhou Longshan's spouse, and therefore Mr. Zhou is deemed to be interested in these share options.
2. Consideration for each of the above grants is HK\$1.00.

Save as disclosed above, so far is known to the Directors, as at the Latest Practicable Date, no other persons has interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are 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 he/she is taken or deemed to have under such provisions of SFO; or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SHAREHOLDERS WITH NOTIFIABLE INTERESTS

As at the Latest Practicable Date, so far as is known to the Directors, the following persons had interests or short positions in the Shares and underlying Shares 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of interested party	Number of Shares	Approximate shareholding (%)
China Resources National Corp. (“CRNC”)	270,132,647	74.5
China Resources Co., Limited	270,132,647	74.5
CRC Bluesky Limited	270,132,647	74.5
China Resources (Holdings) Company Limited	270,132,647	74.5

Note: China Resources (Holdings) Company Limited is a 100% subsidiary of CRC Bluesky Limited which is in turn owned as to 100% by China Resources Co., Limited, which is in turn held as to 99.98% by CRNC, a state owned enterprise in the PRC.

As at the Latest Practicable Date, so far as is known to the Directors, the following persons were, 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 Group:

Name of company	Name of substantial shareholder	Approximate shareholding 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
Guangxi China Resources Hongshuihe Cement Co., Ltd.	Guangxi Hongshuihe Cement Joint Stock Company Limited	30.0
Shenzhen China Resources Tiejian Concrete Co., Ltd.	Zhong Tie Jian Chang Construction Department Shenzhen Industrial Company	30.0
Zhanjiang China Resources Hongshuihe Cement Co., Ltd.	Profit Pool Holdings Limited	49.0

Save as disclosed above, so far as is known to the Directors or chief executives, as at the Latest Practicable Date, no other persons had interests or short positions in the Shares and underlying Shares 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO; nor were there any persons 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 Group or any options in respect of such capital.

SERVICE CONTRACTS

As at the Latest Practicable Date, no Director has an unexpired service contract with the Company or any of its subsidiaries excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation.

EXPERT AND CONSENT

The following is the qualification of the expert who has provided its advice which is contained in this circular:

Name	Qualification
Somerley	A licensed corporation under the SFO

Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name in the form and context in which they appear.

As at the Latest Practicable Date, Somerley was not interested beneficially or otherwise in any shares of the Company or any of its subsidiaries or associated corporations and did not have any right, whether legally enforceable or not, or option to subscribe for or to nominate persons to subscribe for any shares of the Company or any of its subsidiaries or associated corporations nor did it have any interest, either direct or indirect, in any assets which have been, since the date of incorporation of the Company on 13th March, 2003, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

MISCELLANEOUS

- None of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, the Company or any of its subsidiaries since 31st December, 2002, the date to which the pro forma combined financial information as set out in the Prospectus were made up.
- There is no contract or arrangement entered into by any member of the Group in which any Directors are materially interested and which is significant in relation to the business of the Group.

- The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2002, being the date to which the pro forma combined financial information as set out in the Prospectus.
- The English texts of this circular shall prevail over their respective Chinese texts.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the head office of the Company from the date of this circular up to 12th November, 2003:

- Memorandum and Articles of Association of the Company;
- letter of the Independent Board Committee dated 27th October, 2003, the text of which is set out on page 9 of this circular;
- letter from Somerley dated 27th October, 2003, the text of which is set out on pages 10 to 16 of this circular; and
- consent letter from Somerley referred to under the paragraph “Expert and Consent” in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



華潤水泥控股有限公司 China Resources Cement Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Resources Cement Holdings Limited (the “Company”) will be held at 4:00 p.m. on Wednesday, 12th November, 2003 at 49th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:–

ORDINARY RESOLUTION

“**THAT:**

the Transactions (as defined and described in the circular of the Company dated 27th October 2003 and despatched to the shareholders of the Company) and the relevant caps, a copy of which circular has been produced to this meeting marked “A” and signed by the chairman of the meeting for the purpose of identification, and the transactions contemplated therein be and are hereby generally and unconditionally approved, ratified and confirmed and the directors of the Company be and are hereby authorised to take all steps necessary or expedient in their opinion to implement and/or to give effect to the Transactions.”

By Order of the Board
LEE Yip Wah, Peter
Company Secretary

Hong Kong, 27th October, 2003

Registered Office:

P.O. Box 309GT,
Ugland House,
South Church Street,
George Town,
Grand Cayman,
Cayman Islands

Head Office and Principal Place of Business:

Room 4107, 41st Floor,
China Resources Building,
26 Harbour Road,
Wanchai, Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (who must be an individual) to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (2) Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.
- (3) A form of proxy for use at the meeting is enclosed.
- (4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be lodged with the head office of the Company at Room 4107, 41st Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjournment thereof. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting.