
IMPORTANT

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

If you have sold or otherwise transferred all your shares in China Resources Cement Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 712)

NON-EXEMPT CONTINUING 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 is set out on page 15 of this circular.

A letter from Somerley Limited, the independent financial adviser, containing its advice to the independent board committee, the independent shareholders and the shareholders of China Resources Cement Holdings Limited is set out on pages 16 to 25 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, 20 October 2004, is set out on page 40 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrars and transfer office of China Resources Cement Holdings Limited, Standard Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester 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 of China Resources Cement Holdings Limited or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the extraordinary general meeting of China Resources Cement Holdings Limited or any adjourned meeting should you so wish.

4 October 2004

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“China Resources DG Cement”	China Resources Dongguan Cement Manufactory Holdings Limited, a limited company incorporated in Hong Kong, which holds 100% equity interest in Dongguan Cement, and is beneficially held as to 75% by the Company through Clear Bright Investments Limited, a wholly owned subsidiary of the Company, and held as to 12.5% by UBE Industries, as to 10% by Sumitomo Corporation and as to 2.5% by Sumitomo (Hong Kong)
“China Resources Holdings”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability
“Company”	China Resources Cement Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“CRE”	China Resources Enterprise, Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Dongguan Cement”	Dongguan Huarun Cement Manufactory Co., Ltd., a foreign owned enterprise established in the PRC, which is a wholly owned subsidiary of China Resource DG Cement
“Dongguan Cement Transactions”	sale of cement products by Dongguan Cement to Sumitomo Corporation and its associates
“EGM”	extraordinary general meeting to be held by the Company at 4:00 p.m. on Wednesday, 20 October 2004, for the purpose of considering and, if thought fit, approving the Transactions and the New Caps

DEFINITIONS

“Existing Waiver”	the waiver granted by the Stock Exchange on 26 June 2003 to the Company waiving the Company’s obligation from strict compliance with provisions of Chapter 14 of the Listing Rules in force prior to 31 March 2004, subject to certain conditions in respect of, among other things, the Transactions
“Fuel Diesel and Lubricant Oil Purchase Agreements”	three purchase agreements dated 30 June 2004 and a purchase agreement dated 1 July 2004 for the purchases of lubricant oil and two purchase agreements dated 1 July 2004 for the purchases of fuel and diesel entered into between the Group and two subsidiaries of CRE
“Group”	Company and its subsidiaries
“Guangxi CR Cement”	Guangxi China Resources Hongshuihe Cement Co., Ltd., a sino foreign equity joint venture established in the PRC, which is held as to 70% by the Company through Flavour Glory Limited, a wholly owned subsidiary of the Company, and as to 30% by Guangxi Hongshuihe Cement
“Guangxi Hongshuihe Cement”	Guangxi Hongshuihe Cement Joint Stock Company Limited, a joint stock company established in the PRC, which holds 30% of the registered capital in Guangxi CR Cement
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising Mr. Chan Mo Po, Paul, Mr. Lin Zongshou and Mr. Lui Pui Kee, Francis, all being independent non-executive Directors, which has been established to advise the Shareholders and the Independent Shareholders as regards the Transactions and the respective New Caps
“Independent Shareholders”	Shareholders other than China Resources Holdings and its associates
“Latest Practicable Date”	27 September 2004, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular

DEFINITIONS

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“New Caps”	the maximum aggregate annual values of Dongguan Cement Transactions, Zhanjiang CR Cement Transactions and Oil Products Transactions
“Oil Products Transactions”	purchases of fuel, diesel and lubricant oil by the Group from 深圳市華潤石油有限公司 (Shenzhen China Resources Petroleum Company Limited) and 深圳華潤特種油劑有限公司 (CRC Special Oil Company Limited), both being subsidiaries of CRE
“PRC”	The People’s Republic of China
“Profit Pool”	Profit Pool Holdings Limited, a company incorporated in Hong Kong with limited liability, which holds 49% of the registered capital in Zhanjiang CR Cement
“Profit Pool Cement Supply Agreement”	a supply agreement dated 7 September 2004 for the supply of cement products entered into between Zhanjiang CR Cement and an associate of Profit Pool
“Redland Precast”	Redland Precast Concrete Products Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shengcheng”	深圳市生成混凝土有限公司 (Shenzhen Shengcheng Concrete Limited), a company established in the PRC with limited liability which is wholly owned by the Company through China Resources Concrete Limited, a wholly owned subsidiary of the Company
“Somerley”	Somerley Limited, a licensed corporation under the SFO to conduct types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities, the independent financial adviser to the Independent Board Committee

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sumitomo Cement Supply Agreements”	four agreements for the supply of cement products dated 18 August 2004 entered into between Dongguan Cement and Sumitomo (Guangzhou)
“Sumitomo Corporation”	Sumitomo Corporation, a company incorporated in Japan which beneficially holds 12.5% interests in Dongguan Cement, of which 2.5% is held indirectly through Sumitomo (Hong Kong)
“Sumitomo (Guangzhou)”	Sumitomo (Guangzhou) Corporation Ltd., a subsidiary of Sumitomo Corporation
“Sumitomo (Hong Kong)”	Sumitomo Corporation (Hong Kong) Ltd., a subsidiary of Sumitomo Corporation and beneficially holds 2.5% interests in Dongguan Cement
“Transactions”	the respective transactions contemplated under the Dongguan Cement Transactions, Zhanjiang CR Cement Transactions and Oil Products Transactions that have been and will continue to be carried out by the Group
“UBE Industries”	UBE Industries Ltd., a company incorporated in Japan, which beneficially holds 12.5% interests in Dongguan Cement
“Wenwei”	深圳市文偉混凝土有限公司 (Shenzhen Wenwei Concrete Limited), a company established in the PRC with limited liability which is wholly owned by the Company through China Resources Concrete Limited, a wholly owned subsidiary of the Company
“Zhanjiang CR Cement”	Zhanjiang China Resources Hongshuihe Cement Co., Ltd., a sino foreign joint venture established in the PRC, which is beneficially held as to 49% by Profit Pool and as to 51% by Guangxi CR Cement
“Zhanjiang CR Cement Transactions”	sale of cement products by Zhanjiang CR Cement to an associate of Profit Pool
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of PRC
“%”	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)

(Stock Code: 712)

Executive Directors:

Qiao Shibo (*Chairman*)
Shi Shanbo (*Vice Chairman and General Manager*)
Zhou Junqing
Zhou Longshan
Sun Mingquan
Zheng Yi

Registered office:

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

Non-executive Directors:

Ning Gaoning
Jiang Wei
Keung Chi Wang, Ralph

*Head office and principal place of
business in Hong Kong:*

Room 4107, 41/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Independent non-executive Directors:

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

4 October 2004

To the Shareholders

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

The Company announced on 8 September 2004 that the Group entered into various agreements in respect of the Transactions. Further information on the Transactions is set out below.

The purpose of this circular is to provide you with, among other things, (i) further details of the Transactions and the respective New Caps; (ii) the recommendation of the Independent Board Committee to the Shareholders and Independent Shareholders; (iii) the letter from Somerley containing its advice to the Independent Board Committee, the Shareholders and the Independent Shareholders regarding the Transactions and the New Caps; and (iv) the notice of EGM and the form of proxy for use at the EGM.

LETTER FROM THE BOARD

TRANSACTIONS AND BASIS OF THE NEW CAPS

(i) *Dongguan Cement Transactions*

Dongguan Cement, in its normal course of business, has been selling cement products to Sumitomo (Guangzhou) and Sumitomo (Hong Kong), both being subsidiaries of Sumitomo Corporation. Sumitomo Corporation is a substantial shareholder of Dongguan Cement and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Dongguan Cement Transactions constitute continuing connected transactions under the Listing Rules in force prior to 31 March 2004. On 26 June 2003, the Stock Exchange granted to the Company the Existing Waiver in respect of, among other things, the Dongguan Cement Transactions which were not subject to shareholders approval. The Group has been conducting the Dongguan Cement Transactions in accordance with the conditions under the Existing Waiver up to the Latest Practicable Date.

In view of the unanticipated growth in demand for cement products by Sumitomo (Guangzhou) in the first half of 2004 and to accommodate the anticipated growth in the second half of 2004 and 2005 and furthermore, to comply with the shareholders approval requirement under Chapter 14A of the Listing Rules which came into effect on 31 March 2004, the Directors resolved to seek Shareholders' approval for the Dongguan Cement Transactions with revised cap amounts. On 18 August 2004, the Sumitomo Cement Supply Agreements were entered into between Sumitomo (Guangzhou) and Dongguan Cement for the sale of cement products by Dongguan Cement to Sumitomo (Guangzhou) for the period from 1 January 2004 to 31 December 2005. The selling price was negotiated on an arm's length basis between Sumitomo Corporation and its associates and the Group and with reference to the then prevailing market price which the executive Directors consider to be fair and reasonable so far as the Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole. The executive Directors confirm that the prices and terms of the said sales are on normal commercial terms and no less favourable than those available to the Group from independent third parties.

LETTER FROM THE BOARD

The table below sets out the cap amounts under the Existing Waiver relating to the sale of cement products by Dongguan Cement to Sumitomo Corporation and its associates for the two years ending 31 December 2004 and the actual amounts of such sale for the two years ended 31 December 2003.

	2002	2003	2004
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Cap amount	N/A <i>(Note 1)</i>	10.0	10.0
Actual amount of sale of cement products	5.3 <i>(Note 2)</i>	7.2 <i>(Note 3)</i>	N/A <i>(Note 4)</i>
% to the total sales of the Group	0.6% <i>(Note 5)</i>	0.7% <i>(Note 5)</i>	N/A <i>(Note 4)</i>

Notes:

1. A cap amount in 2002 was not available as the Existing Waiver was granted by the Stock Exchange on 26 June 2003. The Company was listed on the Stock Exchange on 29 July 2003.
2. Dongguan Cement had been selling cement products to both Sumitomo (Guangzhou) and Sumitomo (Hong Kong) during the year ended 31 December 2002.
3. Dongguan Cement had been selling cement products to Sumitomo (Guangzhou) during the year ended 31 December 2003 and will continue to sell cement products to Sumitomo (Guangzhou) up to 31 December 2005.
4. This amount cannot be confirmed as the financial year has not ended yet.
5. The total sales of the Group for the year ended 31 December 2002 and 31 December 2003 were approximately HK\$899 million and HK\$1,070 million respectively on the assumption that the Group was formed on 1 January 2002.

The Group will continue to carry out the Dongguan Cement Transactions pursuant to the Sumitomo Cement Supply Agreements. The Directors propose to revise the cap amounts for the Dongguan Cement Transactions. Based on (i) the historical sale of cement products by Dongguan Cement to Sumitomo (Guangzhou) for the two years ended 31 December 2003 and the six months ended 30 June 2004; (ii) the expected increase in the demand of cement products by Sumitomo (Guangzhou) of approximately 160% and 25% respectively for the two financial years ending 31 December 2005, as a result of an increasing demand for high quality ready mixed concrete for construction projects in Guangdong Province in compliance with stricter regulatory standards imposed by the Chinese Government as well as a limited number of quality cement manufacturers available in Dongguan; and (iii) a buffer in value of

LETTER FROM THE BOARD

approximately 20% per annum to meet the possible increase in the prices of cement products and demand of the cement products by Sumitomo (Guangzhou), the Directors estimate that the total amount of sale of cement products under the Sumitomo Cement Supply Agreements will not exceed the limit of HK\$23 million and HK\$28 million for each of the two financial years ending 31 December 2005.

The Directors believe that the Sumitomo Cement Supply Agreements will ensure a steady revenue derived from the sale of cement products.

(ii) Zhanjiang CR Cement Transactions

Zhanjiang CR Cement is a joint venture established pursuant to the joint venture agreement dated 12 February 2003 entered into between Guangxi CR Cement and Profit Pool. The joint venture agreement is valid for a period of ten years. Under the joint venture agreement, Profit Pool agreed to procure its subsidiaries to purchase cement products from Zhanjiang CR Cement for as long as the joint venture exists.

Zhanjiang CR Cement, in its normal course of business, has been selling cement products to an associate of Profit Pool. Profit Pool is a substantial shareholder of Zhanjiang CR Cement and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Zhanjiang CR Cement Transactions constitute continuing connected transactions under the Listing Rules in force prior to 31 March 2004. On 26 June 2003, the Stock Exchange granted to the Company the Existing Waiver in respect of, among other things, the Zhanjiang CR Cement Transactions which were not subject to shareholders approval. The Group has been conducting the Zhanjiang CR Cement Transactions in accordance with the conditions under the Existing Waiver up to the Latest Practicable Date.

In view of the unanticipated growth in demand for cement products by the associate of Profit Pool in the first half of 2004 and to accommodate the anticipated growth in the second half of 2004 and 2005 and furthermore, to comply with the shareholders approval requirement under Chapter 14A of the Listing Rules which came into effect on 31 March 2004, the Directors resolved to seek Shareholders' approval for the Zhanjiang CR Cement Transactions with revised cap amounts. On 7 September 2004, the Profit Pool Cement Supply Agreement was entered into between Zhanjiang CR Cement and the associate of Profit Pool for the sale of cement products to that associate of Profit Pool by Zhanjiang CR Cement for the period from 7 September 2004 to 31 December 2005. The selling price was negotiated on an arm's length basis between the associate of Profit Pool and the Group with reference to the then prevailing market price which the executive Directors consider to be fair and reasonable so far as the Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. The executive Directors confirm that the prices and terms of the said sales are on normal commercial terms and no less favourable than those available to the Group from independent third parties.

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The table below sets out the cap amounts under the Existing Waiver relating to the sale of cement products by Zhanjiang CR Cement to the associate of Profit Pool for the two years ending 31 December 2004 and the actual amounts of such sale for the two years ended 31 December 2003.

	2002	2003	2004
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Cap amount	N/A <i>(Note 1)</i>	10.0	10.0
Actual amount of sale of cement products	Nil <i>(Note 2)</i>	8.9 <i>(Note 2)</i>	N/A <i>(Note 3)</i>
% to the total sales of the Group	N/A <i>(Note 2)</i>	0.8% <i>(Note 4)</i>	N/A <i>(Note 3)</i>

Notes:

1. A cap amount in 2002 was not available as the Existing Waiver was granted by the Stock Exchange on 26 June 2003. The Company was listed on the Stock Exchange on 29 July 2003.
2. As Zhanjiang CR Cement was established on 3 March 2003, no sale was recorded for the year ended 31 December 2002. The actual amount of sales during the year ended 31 December 2003 only reflected sales made during the period from 3 March 2003 to 31 December 2003.
3. This amount cannot be confirmed as the financial year has not ended yet.
4. The total sales of the Group for the year ended 31 December 2003 was approximately HK\$1,070 million on the assumption that the Group was formed on 1 January 2002.

The Group will continue to carry out the Zhanjiang CR Cement Transactions pursuant to the Profit Pool Cement Supply Agreement. The Directors propose to revise the cap amounts for the Zhanjiang CR Cement Transactions. Based on (i) the historical sale of cement products by Zhanjiang CR Cement to the associate of Profit Pool for the year ended 31 December 2003 and the six months ended 30 June 2004; (ii) the expected increase in the demand of cement products by the associate of Profit Pool of approximately 110% and 15% respectively for the two financial years ending 31 December 2005, as a result of an increasing demand for high quality ready mixed concrete for construction projects in Zhanjiang in compliance with stricter regulatory standards imposed by the Chinese Government as well as a limited number of quality cement manufacturers available in Zhanjiang; (iii) the full year impact of sale of cement products by Zhanjiang CR Cement commencing in the year ending 31 December 2004 (as detailed in Note 2 to the table above); and (iv) a buffer in value of approximately 20% per annum to meet the possible increase in the prices of cement products and demand of the cement products by the associate of Profit Pool, the Directors estimate that the total amount of sale of cement products under the Profit Pool Cement Supply Agreement will not exceed the limit of HK\$22 million and HK\$25 million for each of the two financial years ending 31 December 2005.

LETTER FROM THE BOARD

The Directors believe that the Profit Pool Cement Supply Agreement will ensure a steady revenue derived from the sale of cement products.

(iii) Oil Products Transactions

The Group, in its normal course of business, has been purchasing fuel and diesel from 深圳市華潤石油有限公司 (Shenzhen China Resources Petroleum Company Limited) and lubricant oil from 深圳華潤特種油劑有限公司 (CRC Special Oil Company Limited), both being subsidiaries of CRE. As the Company's controlling shareholder, China Resources Holdings, is also the controlling shareholder of CRE and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Oil Products Transactions constitute continuing connected transactions under the Listing Rules in force prior to 31 March 2004. On 26 June 2003, the Stock Exchange granted to the Company the Existing Waiver in respect of, among other things, the Oil Products Transactions which were not subject to the shareholders approval. The Group has been conducting the Oil Products Transactions in accordance with the conditions under the Existing Waiver up to the Latest Practicable Date.

In view of the unanticipated growth in demand for oil products by the Group in the first half of 2004 and to accommodate the anticipated growth in the second half of 2004 and 2005 and furthermore, to comply with the shareholders approval requirement under Chapter 14A of the Listing Rules which came into effect on 31 March 2004, the Directors resolved to seek Shareholders approval for the Oil Products Transactions with revised cap amounts. On 30 June and 1 July 2004, the Fuel Diesel and Lubricant Oil Purchase Agreements were entered into between the Group and subsidiaries of CRE for the purchase of fuel, diesel and lubricant oil from the subsidiaries of CRE for the period from 1 July 2004 to 31 December 2005. The purchase price was negotiated on an arm's length basis between the subsidiaries of CRE and the Group with reference to the then prevailing market price which the executive Directors consider to be fair and reasonable so far as the Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. The executive Directors confirm that the prices and terms of the said purchases are on normal commercial terms and no less favourable than those available to the Group from independent third parties.

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The table below sets out the cap amounts under the Existing Waiver relating to the aggregate purchases of fuel, diesel and lubricant oil from subsidiaries of CRE by the Group for the two years ending 31 December 2004 and the actual amounts of such purchases for the two years ended 31 December 2003.

	2002	2003	2004
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Cap amount	N/A <i>(Note 1)</i>	10.0	10.0
Actual amount of purchases	3.6	9.3	N/A <i>(Note 2)</i>

Notes:

1. A cap amount in 2002 was not available as the Existing Waiver was granted by the Stock Exchange on 26 June 2003. The Company was listed on the Stock Exchange on 29 July 2003.
2. This amount cannot be confirmed as the financial year has not ended yet.

The Group will continue to carry out the above transactions pursuant to the Fuel Diesel and Lubricant Oil Purchase Agreements. The Directors propose to revise the cap amounts for the Oil Products Transactions. Based on (i) the historical purchases of fuel, diesel and lubricant oil from subsidiaries of CRE for the two years ended 31 December 2003 and the six months ended 30 June 2004; (ii) additional purchases of fuel and diesel by Redland Precast and other subsidiaries which were recently acquired by the Group such as Wenwei and Shengcheng commencing in the year ending 31 December 2004 and expected to continue until 31 December 2005; and (iii) a buffer in value of approximately 30% per annum to meet the possible increase in the prices of fuel, diesel and lubricant oil, the Directors estimate that the total amount of the aggregate purchases of fuel, diesel and lubricant oil under the Fuel Diesel and Lubricant Oil Purchase Agreements will not exceed the limit of HK\$22 million and HK\$25 million for each of the two financial years ending 31 December 2005.

The Directors believe that the Fuel Diesel and Lubricant Oil Purchase Agreements will ensure:

1. a steady supply of fuel, diesel and lubricant oil for the production of cement and concrete; and
2. timely delivery of fuel, diesel and lubricant oil to the Group.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As it is expected that the Transactions will continue to be carried out, the Directors believe that it is in the commercial interest of the Company to seek approval from the Independent Shareholders for the continuation of the Transactions up to the limits specified in the proposed New Caps mentioned below. The executive Directors consider that the Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable and in the interest of the Company and Shareholders as a whole. As the Transactions constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules, the Company will therefore seek the approval of the Shareholders and Independent Shareholders in respect of the Transactions subject to the following conditions:

1. the Transactions shall be:
 - (a) entered into by the Group in the ordinary and usual course of business;
 - (b) conducted either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
 - (c) entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
2. the aggregate values of the transactions under the Sumitomo Cement Supply Agreements (i.e. Dongguan Cement Transactions), Profit Pool Cement Supply Agreement (i.e. Zhanjiang CR Cement Transactions) and Fuel Diesel and Lubricant Oil Purchase Agreements (i.e. Oil Products Transactions), for each of the two financial years ending 31 December 2005 shall not exceed the limits set out below:

Transaction	Proposed New Caps for the year ending 31 December	
	2004	2005
(i) Dongguan Cement Transactions	HK\$23 million	HK\$28 million
(ii) Zhanjiang CR Cement Transactions	HK\$22 million	HK\$25 million
(iii) Oil Products Transactions	HK\$22 million	HK\$25 million

LETTER FROM THE BOARD

3. compliance by the Company with all other relevant requirements under Chapter 14A of the Listing Rules regarding the Transactions from 1 April 2004.

EGM

A notice of EGM to be held at 4:00 p.m. on Wednesday, 20 October 2004 at 49th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, for the purpose of considering and, if thought fit, approving the Transactions and the New Caps is set out on pages 40 to 42 of this circular. Sumitomo Corporation, Profit Pool, Guangxi Hongshuihe Cement, UBE Industries and their respective associates have no other interests in the Company. As China Resources Holdings is a connected person of the Company under the Listing Rules, China Resources Holdings and its associates will abstain from voting to approve the Oil Products Transactions and the relevant New Caps as mentioned in the paragraph headed “(iii) Oil Products Transactions” above.

Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrars and transfer office of the Company, Standard Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester 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 EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

PROCEDURES FOR DEMANDING A POLL

Pursuant to Article 76 of the articles of association of the Company, a poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least five members present in person or by proxy and entitled to vote at the meeting;
or
- (iii) any member or members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all the members having the rights to attend and vote at the meeting; or

LETTER FROM THE BOARD

- (iv) any member or members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The Company's articles of association also provide that a resolution shall first be put to vote by show of hands. The above-mentioned Shareholders may demand for a poll on or before the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll.

RECOMMENDATIONS

The Directors consider that the Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole and the proposed New Caps are fair and reasonable as far as the Shareholders and the Independent Shareholders are concerned. The Directors therefore recommend the Independent Shareholders and the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Transactions as set out in the notice of EGM.

GENERAL

Your attention is drawn to the letter from the Independent Board Committee, the letter from Somerley, the additional information set out in the appendix to this circular and the notice convening the EGM.

Yours faithfully,
For and on behalf of the board of directors 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)

(Stock Code: 712)

4 October 2004

*To the Shareholders in respect of resolutions no.1 and no.2, and
the Independent Shareholders in respect of resolution no.3*

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise you in connection with the Transactions and the New Caps, details of which are set out in the Letter from the Board contained in this circular (the “Circular”). Terms defined in the Circular shall have the same meanings herein, unless the context otherwise requires.

Having taken into account the advice and recommendation of Somerley as set out on pages 16 to 25 of the Circular, we are of the opinion that the Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole and the New Caps are fair and reasonable so far as the Shareholders and Independent Shareholders are concerned. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution no.3 to be proposed at the EGM to approve the Oil Products Transactions and recommend the Shareholders to vote in favour of the ordinary resolutions no.1 and no.2 to be proposed at the EGM to approve the Dongguan Cement Transactions and the Zhanjiang CR Cement Transactions.

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, the Shareholders and the Independent Shareholders prepared for the purpose of inclusion in this circular.



SOMERLEY LIMITED

Suite 2201, 22nd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

4 October 2004

*To the Independent Board Committee,
the Shareholders in respect of resolutions no.1 and no.2 and
the Independent Shareholders in respect of resolution no.3*

Dear Sir and Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment to advise the Independent Board Committee, the Shareholders and the Independent Shareholders as regards the non-exempt continuing connected transactions relating to (i) the sale of cement products by Dongguan Cement to Sumitomo Corporation and its associates (the “Dongguan Cement Transactions”); (ii) the sale of cement products by Zhanjiang CR Cement to an associate of Profit Pool (the “Zhanjiang CR Cement Transactions”); and (iii) the purchase of fuel, diesel and lubricant oil by the Group from subsidiaries of China Resources Enterprise, Limited (the “Oil Products Transactions”). Details of the Transactions and the respective cap amounts are set out in the circular of the Company dated 4 October 2004 (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.

China Resources Holdings and its associates have interest in the Oil Products Transactions and will abstain from voting on the relevant resolution at the EGM. 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 are on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole and whether the respective cap amounts are fair and reasonable so far as the Shareholders and the Independent Shareholders are concerned. Based on their opinions on the above matters, the Independent Board Committee will make a recommendation to the Shareholders and the Independent Shareholders on how to vote on the relevant resolutions to be proposed at the EGM. We have been appointed to advise the Independent Board Committee, the Shareholders and the Independent Shareholders in these regards.

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In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors. 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, or 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 respective caps amounts are fair and reasonable, we have taken into account the principal factors and reasons set out below.

I. Dongguan Cement Transactions

Background

Dongguan Cement, in its normal course of business, has been selling cement products to Sumitomo (Guangzhou), a subsidiary of Sumitomo Corporation. Dongguan Cement is beneficially owned as to 75% by the Group and 12.5% by Sumitomo Corporation. Sumitomo Corporation and its subsidiaries are therefore connected persons of the Company under the Listing Rules. Accordingly, the Dongguan Cement Transactions constitute continuing connected transactions of the Company under the Listing Rules in force prior to 31 March 2004.

The Company applied to and was granted by the Stock Exchange on 26 June 2003 the Existing Waiver in respect of, among other things, the Dongguan Cement Transactions which were not subject to shareholders approval. Details of the Existing Waiver are set out in the prospectus of the Company dated 26 June 2003. In view of the unanticipated growth in demand for cement products by Sumitomo (Guangzhou) in the first half of 2004, which is more particularly described under the paragraph headed “Cap amounts” below, and to accommodate the anticipated growth in the second half of 2004 and 2005 and furthermore, to comply with the new requirements under Chapter 14A of the Listing Rules in respect of the shareholders’ approval which came into effect on 31 March 2004, the Directors resolved to seek Shareholders’ approval for the Dongguan Cement Transactions with revised cap amounts. Further details of the Dongguan Cement Transactions and the new cap amounts are set out below.

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Sumitomo Cement Supply Agreements

In August 2004, Dongguan Cement and Sumitomo (Guangzhou) entered into the Sumitomo Cement Supply Agreements in respect of supply of cement products to Sumitomo (Guangzhou) up to 31 December 2005. Under the Sumitomo Cement Supply Agreements, the actual amount of cement products to be purchased by Sumitomo (Guangzhou) will be determined through purchase orders to be placed by Sumitomo (Guangzhou). The Sumitomo Cement Supply Agreements also provide that the price of cement products under each purchase order will be subject to negotiation between the parties with reference to the prevailing market price at the time the purchase order is placed.

We have reviewed and compared the terms under the Sumitomo Cement Supply Agreements with supply agreements entered into between Dongguan Cement and independent third parties. We are satisfied that the material terms of the Sumitomo Cement Supply Agreements, including the pricing, are equivalent to those agreed with independent third parties.

Reasons for the Dongguan Cement Transactions

Sumitomo (Guangzhou) is principally engaged in trading, investing and financing. In 2002 and 2003, the cement products sold by Dongguan Cement to Sumitomo (Guangzhou) amounted to approximately HK\$4.5 million and HK\$7.2 million respectively, representing approximately 1.4% and 2.0% of Dongguan Cement's annual sales for 2002 and 2003 respectively. Given Dongguan Cement will soon be the only operational cement plant in the Dongguan area, the Directors believe Sumitomo (Guangzhou) will continue to increase its purchases from Dongguan Cement in the coming years given the overall demand for cement products produced by Dongguan Cement in the Dongguan area will increase substantially. We consider that it is in Dongguan Cement's interest to secure a substantial "anchor" customer of this type.

Cap amounts

The Directors propose to revise the cap amount for the Dongguan Cement Transactions from HK\$10 million at present to HK\$23 million in 2004 and HK\$28 million in 2005. The revised cap amounts for the Dongguan Cement Transactions were determined by the Directors based on (i) the sale of cement products to Sumitomo (Guangzhou) in the two years ended 31 December 2003 and for the six months ended 30 June 2004; (ii) the expected increase in demand by Sumitomo (Guangzhou); and (iii) adding a buffer of approximately 20%.

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We have reviewed the records of the Company which show that the cement products sold to Sumitomo (Guangzhou) for the six months ended 30 June 2004 increased substantially and had exceeded the total amount sold to Sumitomo (Guangzhou) in the entire year of 2003. In the Directors' view, the increase was largely due to the compulsory closure by 2005 of 47 out of 48 cement plants in the Dongguan area ordered by the Dongguan Municipal Government in December 2003 in response to the policy of the PRC Government to tighten environmental controls. Dongguan Cement is a modern cement plant, operating in full compliance with the latest environmental standards. Up to March 2004, approximately 33 cement plants in the Dongguan area had been closed. Given that more cement plants in the Dongguan area will be closed in accordance with the closure orders issued by the Dongguan Municipal Government, the Directors expect that sale of cement products by Dongguan Cement will continue to improve in the second half of 2004. Upon closure of all other cement plants in the Dongguan area by 2005, Dongguan Cement will be the only cement plant in the area.

The 20% buffer included in determining the cap amounts provides Dongguan Cement with a certain flexibility to continue supplying cement products to Sumitomo (Guangzhou) in the event of higher than expected increases in quantity of cement products demanded by Sumitomo (Guangzhou) and/or the market price of cement products. Based on the information provided by the Company, the average price of the cement products purchased by Sumitomo (Guangzhou) in 2003 increased by approximately 8% in the first half of 2004.

Based on the above information, we consider the basis and factors that the Directors have taken into account in determining the cap amounts are relevant and justifiable and we consider the cap amounts for the Dongguan Cement Transactions for 2004 and 2005 are fair and reasonable.

II. Zhanjiang CR Cement Transactions

Background

On 12 February 2003, Guangxi CR Cement entered into a ten year joint venture agreement with Profit Pool regarding the establishment of Zhanjiang CR Cement which is owned 51% by Guangxi CR Cement and 49% by Profit Pool. Under the joint venture agreement, Profit Pool agreed that all its requirements for a certain type of cement products would be purchased from Zhanjiang CR Cement at a pre-determined price (subject to adjustment in the event of intense market fluctuation). Profit Pool is a connected person of the Company under the Listing Rules. Accordingly, the Zhanjiang CR Cement Transactions constitute continuing connected transactions of the Company under the Listing Rules in force prior to 31 March 2004.

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The Company applied to and was granted by the Stock Exchange on 26 June 2003 the Existing Waiver in respect of, among other things, the Zhanjiang CR Cement Transactions which were not subject to shareholders' approval. Details of the Existing Waiver are set out in the prospectus of the Company dated 26 June 2003. In view of the unanticipated growth in demand for cement products by the associate of Profit Pool in the first half of 2004, which is more particularly described under the paragraph headed "Cap amounts" below, and to accommodate the anticipated growth in the second half of 2004 and 2005 and furthermore, to comply with the new requirements under Chapter 14A of the Listing Rules in respect of shareholders' approval which came into effect on 31 March 2004, the Directors resolved to seek Shareholders' approval for the Zhanjiang CR Cement Transactions with revised cap amounts. Further details of the Zhanjiang CR Cement Transactions and the new cap amounts are set out below.

Profit Pool Cement Supply Agreement

On 7 September 2004, an associate of Profit Pool entered into the Profit Pool Cement Supply Agreement with Zhanjiang CR Cement pursuant to which the associate of Profit Pool agreed to purchase certain amount of cement products at a pre-determined price during the period from 7 September 2004 up to 31 December 2005. Under the Profit Pool Cement Supply Agreement, the actual amount of purchases by the associate of Profit Pool will be subject to purchase orders to be placed by the associate of Profit Pool. The Profit Pool Cement Supply Agreement also provides that the price of the cement products under each purchase order will be subject to negotiation between the parties with reference to the prevailing market price at the time the purchase order is placed.

We have reviewed and compared the terms under Profit Pool Cement Supply Agreement with supply agreements entered into between Zhanjiang CR Cement and independent third parties. We are satisfied that the material terms of the Profit Pool Cement Supply Agreement, including the pricing, are equivalent to those agreed with independent third parties.

Reasons for the Zhanjiang CR Cement Transactions

Zhanjiang CR Cement commenced commercial operation in April 2003. Since then and up to 31 December 2003, purchases by the associate of Profit Pool amounted to approximately HK\$8.9 million, representing approximately 34.5% of the total sale of cement products by Zhanjiang CR Cement in 2003. Given that Zhanjiang CR Cement is one of the few cement plants in the Zhanjiang area producing high quality cements, the Directors believe the associate of Profit Pool will continue to purchase cement products from Zhanjiang CR Cement in the coming years.

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Cap amounts

The Directors propose to revise the cap amount for the Zhanjiang CR Cement Transactions from HK\$10 million at present to HK\$22 million for 2004 and HK\$25 million for 2005. The revised cap amounts for the Zhanjiang CR Cement Transactions were determined by the Directors based on (i) the sale of cement products to the associate of Profit Pool for the period from April 2003 to 31 December 2003 and for the six months ended 30 June 2004; (ii) the increase in demand by the associate of Profit Pool; and (iii) adding a buffer of approximately 20%.

We have reviewed the records of the Company which show that the sales of the cement products to the associate of Profit Pool for the first half of 2004 increased significantly and are only slightly below the total sale of cement products to the associate of Profit Pool for the period from April 2003 to 31 December 2003. As advised by the Directors, the substantial increase was partly attributable to the implementation of the environmental policy by the PRC Government and partly to the reason that Zhanjiang CR Cement did not commence commercial operation until April 2003. On an annualized basis, the relevant sales would have been approximately HK\$11.9 million. The cap amount for the Zhanjiang CR Cement Transactions for 2004 was determined based on the actual amount of sales between the Zhanjiang CR Cement and the associate of Profit Pool for the six months ended 30 June 2004 and the expected sales as agreed under the Profit Pool Cement Supply Agreement. The cap amount for 2005 was calculated based on the expected sales as agreed under the Profit Pool Cement Supply Agreement.

The buffer of 20% included in determining the cap amounts provides Zhanjiang CR Cement with a certain flexibility to continue supplying cement products to the associate of Profit Pool in the event of higher than expected increases in the quantity of cement products demanded by the associate of Profit Pool and/or the market price of cement products. Based on the information provided by the Company, the average price of the cement products purchased by the associate of Profit Pool in 2003 increased by approximately 7% in the first half of 2004.

Based on the above information, we consider the basis and factors that the Directors have taken into account in determining the cap amounts are relevant and justifiable and we consider the cap amounts for the Zhanjiang CR Cement Transactions for 2004 and 2005 are fair and reasonable.

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III. Oil Products Transactions

Background

The Group, in its normal course of business, purchases fuel and diesel from Shenzhen China Resources Petroleum Company Limited and lubricant oil from CRC Special Oil Company Limited. Both Shenzhen China Resources Petroleum Company Limited and CRC Special Oil Company Limited are subsidiaries of CRE. China Resources Holdings is the controlling shareholder of both CRE and the Company. CRE is therefore a connected person of the Company under the Listing Rules. Accordingly, the Oil Products Transactions constitute continuing connected transactions under the Listing Rules in force prior to 31 March 2004.

The Company applied to and was granted by the Stock Exchange on 26 June 2003 the Existing Waiver in respect of, among other things, the Oil Products Transactions which were not subject to shareholders' approval. Details of the Existing Waiver are set out in the prospectus of the Company dated 26 June 2003. In view of the unanticipated growth in demand for oil products by the Group in the first half of 2004, which is more particularly described under the paragraph headed "Cap amounts" below, and to accommodate the anticipated growth in the second half of 2004 and 2005 and furthermore, to comply with the new requirements under Chapter 14A of the Listing Rules in respect of shareholders' approval which came into effect on 31 March 2004, the Directors resolved to seek Shareholders' approval for the Oil Products Transactions with revised cap amounts. Further details of the Oil Products Transactions and the new cap amounts are set out below.

Fuel Diesel and Lubricant Oil Purchase Agreements

The Group entered into three agreements on 30 June 2004 and one agreement on 1 July 2004 with CRC Special Oil Company Limited in respect of the purchase of lubricant oil (the "Lubricant Oil Agreements") and two agreements on 1 July 2004 with Shenzhen China Resources Petroleum Company Limited in respect of purchase of fuel and diesel (the "Fuel-Diesel Agreements").

Pursuant to the Lubricant Oil Agreements, the Group agreed to purchase certain amounts of lubricant oil from CRC Special Oil Company Limited for the period from 1 July 2004 up to 31 December 2005. Under the Lubricant Oil Agreements, each of the relevant members of the Group (the "Lubricant Oil Purchasers") will place their order with CRC Special Oil Company Limited on a monthly basis. Upon receipt of the purchase orders, CRC Special Oil Company Limited will provide a price quotation for the lubricant oil to each of Lubricant Oil Purchasers. The purchase will only be made upon acceptance of the quotation by each of the Lubricant Oil Purchasers. CRC Special Oil Company Limited has undertaken under each of the Lubricant Oil Agreements that the price of the lubricant oil will not be higher than the prevailing market price at the time the purchase order is placed.

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We have reviewed the terms of the Lubricant Oil Agreements and quotations obtained by the Lubricant Oil Purchasers from independent third parties. We are satisfied that the terms of the Lubricant Oil Agreements, including the pricing, are no less favourable to the Lubricant Oil Purchasers than those offered by independent third parties.

Pursuant to the Fuel-Diesel Agreements, each of the relevant members of the Group (the “Fuel-Diesel Purchasers”) agreed to purchase certain amounts of fuel and diesel from Shenzhen China Resources Petroleum Company Limited for the period from 1 July 2004 to 31 December 2005. Under the Fuel-Diesel Agreements, the Fuel-Diesel Purchasers will place purchase orders with Shenzhen China Resources Petroleum Company Limited on a monthly basis. Upon receipt of the purchase order, Shenzhen China Resources Petroleum Company Limited will provide a price quotation for the fuel and diesel to each of the Fuel-Diesel Purchasers. The purchase will be made upon acceptance by each of the Fuel-Diesel Purchasers. Shenzhen China Resources Petroleum Company Limited has also undertaken under each of the Fuel-Diesel Agreements that the price of the fuel or diesel will not be higher than the prevailing market price at the time the purchase order is placed.

We have reviewed the terms of the Fuel-Diesel Agreements and quotations obtained by the Fuel-Diesel Purchasers from independent third parties. We are satisfied that the terms of the Fuel-Diesel Agreements, including the pricing, are no less favourable to the Fuel-Diesel Purchasers than those offered by independent third parties.

Reasons for the Oil Products Transactions

The Group regularly purchases fuel and diesel from Shenzhen China Resources Petroleum Company Limited and lubricant oil from CRC Special Oil Company Limited. In 2002 and 2003, the purchase of fuel, diesel and the lubricant oil by the Group from Shenzhen China Resources Petroleum Company Limited and CRC Special Oil Company Limited amounted to approximately HK\$3.6 million and HK\$9.3 million respectively. Each of Shenzhen China Resources Petroleum Company Limited and CRC Special Oil Company Limited has agreed to supply oil products to the Group at a price not higher than the prevailing market price from time to time. The track record of timely delivery of oil products in the past two years, as advised by the Directors, has been satisfactory.

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Cap amounts

The Directors proposed to revise the cap amount for the Oil Products Transactions from HK\$10 million at present to HK\$22 million for the year ended 2004 and HK\$25 million for the year ended 2005. The cap amounts were determined by the Directors based on (i) the purchase of oil products from Shenzhen China Resources Petroleum Company Limited and CRC Special Oil Company Limited for the two years ended 31 December 2003 and the six months ended 30 June 2004; (ii) the additional purchase of oil products by Redland Precast and the two subsidiaries acquired by Group on 1 January 2004; and (iii) adding a buffer of approximately 30%.

We have reviewed the amount of oil products purchased by the Group from Shenzhen China Resources Petroleum Company Limited and CRC Special Oil Company Limited for the first half of 2004 which show a substantial increase as compared to the amount of oil products purchased by the Group in the same period in 2003. As advised by the Directors, such increase was due largely to the purchase of lubricant oil by the two newly acquired subsidiaries and purchase of diesel by Redland Precast, none of whom purchased any oil products from Shenzhen China Resources Petroleum Company Limited and CRC Special Oil Company Limited until 2004. Excluding the newly acquired subsidiaries and Redland Precast, the Directors estimate the total quantity of oil products that the Group would purchase in 2004 would be about the same as in 2003.

The buffer of 30% for the cap amounts principally caters for the possible increase in price of the fuel and diesel. Fuel and diesel have been the major oil products purchased by the Group, which in aggregate account for approximately 95% of the total oil products purchased by the Group. The price of diesel is governed by the Guangdong Municipal Government, which recently announced increases in the price of various types of diesel, including the type of diesel that the Group purchases. Cumulative increases for the type of diesel the Group purchases have amounted to approximately 37% from RMB2.60 per liter in 2002 to RMB3.55 per liter in 2004. The price of the fuel purchased by the Group has cumulatively increased by approximately 64% from the beginning of 2002 to mid 2004 based on prices quoted on Bloomberg.

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Based on the above information, we consider the basis and factors that the Directors have taken into account in determining the cap amounts are relevant and justifiable and we consider that cap amounts for the Oil Products Transactions for 2004 and 2005 are fair and reasonable.

OPINION

Having taken into account the above factors and reasons, we consider that the Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole and the New Caps are fair and reasonable so far as the Shareholders and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend that (i) the Shareholders vote in favour of the relevant ordinary resolutions in respect of the Dongguan Cement Transactions and Zhanjiang CR Cement Transactions and their respective cap amounts; and (ii) the Independent Shareholders vote in favour of the ordinary resolution in respect of the Oil Products Transactions and the cap amounts to be proposed at the EGM.

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' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

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 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 the Directors and chief executive of the Company are taken or deemed to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange on which were required, pursuant to the requirements of the Takeovers Code, to be disclosed in this circular, 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 (Note) %
Qiao Shibo	Beneficial owner	–	3,000,000	3,000,000	0.827
Shi Shanbo	Beneficial owner	–	2,300,000	2,300,000	0.634
Zhou Junqing	Beneficial owner	–	2,000,000	2,000,000	0.551
Zhou Longshan	Beneficial owner	–	2,000,000	2,000,000	0.551
Sun Mingquan	Beneficial owner	–	1,800,000	1,800,000	0.496
Zheng Yi	Beneficial owner	–	1,800,000	1,800,000	0.496
Ning Gaoning	Beneficial owner	163,000	–	163,000	0.045
Keung Chi Wang, Ralph	Beneficial owner	–	800,000	800,000	0.221
Chan Mo Po, Paul	Beneficial owner	–	200,000	200,000	0.055
Lin Zongshou	Beneficial owner	–	200,000	200,000	0.055
Lui Pui Kee, Francis	Beneficial owner	–	200,000	200,000	0.055

Underlying shares represented by share options outstanding under the share option scheme of the Company to subscribe for Shares are as follows:

Name of Director	Date of grant	Date of expiry	Exercise price <i>HK\$</i>	Number of underlying shares	Aggregate
					long position in underlying shares to issued share capital of the Company <i>(Note)</i> %
Qiao Shibo	5 December 2003	4 December 2013	2.325	3,000,000	0.827
Shi Shanbo	5 December 2003	4 December 2013	2.325	2,300,000	0.634
Zhou Junqing	5 December 2003	4 December 2013	2.325	2,000,000	0.551
Zhou Longshan	5 December 2003	4 December 2013	2.325	2,000,000	0.551
Sun Mingquan	5 December 2003	4 December 2013	2.325	1,800,000	0.496
Zheng Yi	5 December 2003	4 December 2013	2.325	1,800,000	0.496
Keung Chi Wang, Ralph	5 December 2003	4 December 2013	2.325	800,000	0.221
Chan Mo Po, Paul	5 December 2003	4 December 2013	2.325	200,000	0.055
Lin Zongshou	5 December 2003	4 December 2013	2.325	200,000	0.055
Lui Pui Kee, Francis	5 December 2003	4 December 2013	2.325	200,000	0.055

Note: Based on 362,807,461 Shares in issue as at the Latest Practicable Date.

(b) CRE, an associated corporation of 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 CRE (Note 1) %
Qiao Shibo	Beneficial owner	–	3,800,000	3,800,000	0.180
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	–	884,000	884,000	0.042
Zheng Yi	Beneficial owner	–	60,000	60,000	0.003
Ning Gaoning	Beneficial owner	1,630,000	4,500,000	6,130,000	0.291
Jiang Wei	Beneficial owner	–	600,000	600,000	0.028
Keung Chi Wang, Ralph	Beneficial owner	–	2,966,000	2,966,000	0.141

Underlying shares represented by share options outstanding under the two share option schemes of CRE (the old scheme being adopted on 17 September 1992, amended on 17 June 1999 and terminated on 31 January 2002 and the new scheme being adopted on 31 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	Aggregate long positions in underlying shares to issued share capital of CRE (Note 1) %
Qiao Shibo	7 February 2002	6 February 2012	7.17	1,800,000	0.180
	14 January 2004	13 January 2014	9.72	2,000,000	
Shi Shanbo	5 March 2002	4 March 2012	7.35	100,000	0.005
Zhou Junqing	5 March 2002	4 March 2012	7.35	100,000	0.005
Zhou Longshan	5 March 2002	4 March 2012	7.35	110,000	0.029 (Note 2)
	14 April 2003	13 April 2013	6.29	500,000	
Sun Mingquan	7 February 2002	6 February 2012	7.17	550,000	0.045 (Note 3)
	5 March 2002	4 March 2012	7.35	60,000	
	14 January 2004	13 January 2014	9.72	200,000	
	25 May 2004	24 May 2014	9.15	134,000	
Zheng Yi	5 March 2002	4 March 2012	7.35	60,000	0.003
Ning Gaoning	20 June 2000	19 June 2010	7.19	3,300,000	0.214
	7 February 2002	6 February 2012	7.17	1,200,000	
Jiang Wei	8 March 2002	7 March 2012	7.50	600,000	0.028
Keung Chi Wang, Ralph	20 June 2000	19 June 2010	7.19	1,400,000	0.141
	7 February 2002	6 February 2012	7.17	500,000	
	14 January 2004	13 January 2014	9.72	216,000	
	2 June 2004	1 June 2014	9.55	850,000	

Notes:

1. Based on 2,107,471,215 shares of CRE in issue as at the Latest Practicable Date.
2. 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.
3. Total options for 884,000 shares in CRE are held by Ms. Sun Mingquan's spouse, and therefore Ms. Sun is deemed to be interested in these share options.
4. The options are generally either fully vested and exercisable within a period of 10 years immediately after the date of grant or are vested over a period of time up to a maximum of four years after the acceptance of a grant.
5. 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 shares and underlying shares to issued share capital of CR Logic (Note 1) %
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	–	60,000	60,000	0.002
	Interest of spouse	100,000	60,000	160,000	0.006
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	0.114
Jiang Wei	Beneficial owner	–	720,000	720,000	0.027

Underlying shares represented by share options outstanding under the share option scheme of CR Logic being adopted on 26 November 2001 and amended on 21 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	Aggregate
					long position in underlying shares to issued share capital of CR Logic (Note 1) %
Shi Shanbo	9 April 2002	8 April 2012	0.820	120,000	0.005
Zhou Junqing	9 April 2002	8 April 2012	0.820	120,000	0.005
Zhou Longshan	9 April 2002	8 April 2012	0.820	120,000	0.005 (Note 2)
Sun Mingquan	9 April 2002	8 April 2012	0.820	60,000	0.002
Zheng Yi	9 April 2002	8 April 2012	0.820	60,000	0.002
Ning Gaoning	2 October 2002	1 October 2012	0.570	2,000,000	0.114
	9 April 2003	8 April 2013	0.479	1,000,000	
Jiang Wei	9 April 2002	8 April 2012	0.820	720,000	0.027

Notes:

1. Based on 2,642,357,071 shares of CR Logic in issue as at the Latest Practicable Date.
2. Out of these 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.
3. Except for options granted on 9 April 2002 which are exercisable in 4 tranches of 25% each, from 9 April 2002 to 8 April 2012, from 1 January 2003, 2004 and 2005 to 8 April 2012, the other share options are exercisable within a period of 10 years from the date of grant of the relevant options.
4. 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 shares and underlying shares to issued share capital of CR Land (Note 1) %
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 share options outstanding under the two share option schemes of CR Land (the old scheme being adopted on 28 May 1997 and terminated on 31 January 2002, and the new scheme being adopted on 31 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	Aggregate
					long position in underlying shares to issued share capital of CR Land (Note 1) %
Shi Shanbo	4 March 2002	3 March 2012	1.590	120,000	0.008
Zhou Junqing	4 March 2002	3 March 2012	1.590	120,000	0.008
Zhou Longshan	4 March 2002	3 March 2012	1.590	140,000	0.009 (Note 2)
Sun Mingquan	4 March 2002	3 March 2012	1.590	80,000	0.005
Zheng Yi	4 March 2002	3 March 2012	1.590	80,000	0.005
Ning Gaoning	27 June 1997	27 May 2007	4.592	2,500,000	0.333
	20 July 2000	27 May 2007	0.990	2,500,000	
Jiang Wei	4 March 2002	3 March 2012	1.590	720,000	0.048
Keung Chi Wang, Ralph	27 June 1997	27 May 2007	4.592	2,000,000	0.220
	20 July 2000	27 May 2007	0.990	1,300,000	

Notes:

1. Based on 1,502,667,428 shares of CR Land in issue as at the Latest Practicable Date.
2. 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.
3. Except for options granted on 4 March 2002 which are exercisable within a period of 10 years from the date of grant, the expiry date for all other share options mentioned above is 27 May 2007.
4. Consideration for each of the above grants is HK\$1.00.

(e) *China Resources Power Holdings Company Limited (“CR Power”), an associated corporation of 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 CR Power
					(Note 1) %
Qiao Shibo	Beneficial owner	–	600,000	600,000	0.016
	Interest of spouse	–	30,000	30,000	0.001
Shi Shanbo	Beneficial owner	–	500,000	500,000	0.013
Zhou Junqing	Beneficial owner	–	120,000	120,000	0.003
Zhou Longshan	Beneficial owner	–	120,000	120,000	0.003
	Interest of spouse	–	30,000	30,000	0.001
Sun Mingquan	Beneficial owner	–	90,000	90,000	0.002
	Interest of spouse	–	100,000	100,000	0.003
Zheng Yi	Beneficial owner	–	90,000	90,000	0.002
Ning Gaoning	Beneficial owner	–	1,000,000	1,000,000	0.026
Jiang Wei	Beneficial owner	–	1,000,000	1,000,000	0.026

Underlying shares represented by share options outstanding under the Pre-IPO Share Option Scheme of CR Power (adopted on 6 October 2003) to subscribe for ordinary shares in CR Power are as follows:

Name of Director	Date of grant	Date of expiry	Exercise price HK\$	Number of underlying shares	Aggregate Aggregate long position in Number of underlying shares to issued share capital of CR Power (Note 1) %
Qiao Shibo	12 November 2003	5 October 2013	2.80	630,000	0.017 (Note 2)
Shi Shanbo	12 November 2003	5 October 2013	2.80	500,000	0.013
Zhou Junqing	12 November 2003	5 October 2013	2.80	120,000	0.003
Zhou Longshan	12 November 2003	5 October 2013	2.80	150,000	0.004 (Note 3)
Sun Mingquan	12 November 2003	5 October 2013	2.80	190,000	0.005 (Note 4)
Zheng Yi	12 November 2003	5 October 2013	2.80	90,000	0.002
Ning Gaoning	12 November 2003	5 October 2013	2.80	1,000,000	0.026
Jiang Wei	12 November 2003	5 October 2013	2.80	1,000,000	0.026

Notes:

1. Based on 3,808,000,000 shares of CR Power in issue as at the Latest Practicable Date.
2. Out of these options for 630,000 shares in CR Power, options for 30,000 shares are held by Mr. Qiao Shibo's spouse, and therefore Mr. Qiao is deemed to be interested in these share options.
3. Out of these options for 150,000 shares in CR Power, options for 30,000 shares are held by Mr. Zhou Longshan's spouse, and therefore Mr. Zhou is deemed to be interested in these share options.
4. Out of these options for 190,000 shares in CR Power, options for 100,000 shares are held by Ms. Sun Mingquan's spouse, and therefore Ms. Sun is deemed to be interested in these share options.
5. The exercisable period is divided into 5 tranches exercisable during the periods from 6 October 2004, 2005, 2006, 2007 and 2008 to 5 October 2013.
6. Consideration for each of the above grants is HK\$1.00.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, no interests or short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or chief executive of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code or which were required pursuant to Section 352 of the SFO to be recorded in the register referred to therein. Nor any of the Directors and the chief executive (including their spouses and children under the age of 18) had, as at the Latest Practicable Date, any interest in, or had been granted any right to subscribe for the securities and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

SHAREHOLDERS WITH NOTIFIABLE INTERESTS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by the Directors or chief executives of the Company, the following persons, not being a Director or chief executive of the Company, had interests and/or short positions in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, 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 other member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital:

Name of interested party	Number of shares	Approximate shareholding %
China Resources National Corporation (“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	270,132,647	74.5

Note: China Resources Holdings 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 DG Cement	(1) Sumitomo Corporation and its associate, Sumitomo (Hong Kong)	12.5
	(2) UBE Industries	12.5
Guangxi CR Cement	Guangxi Hongshuihe Cement	30.0
Zhanjiang CR Cement	Profit Pool	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.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2003 (the date to which the latest published audited accounts of the Group were made up).

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates has any interest in any company or business which competes or may compete with the business of the Group.

OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

- (i) none of the Directors had any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting as at the date of this circular and is significant in relation to the business of the Group.

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 to conduct types 1 (dealing in Securities), 4 (advising on Securities), 6 (advising in corporate finance) and 9 (asset management) regulated activities.

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 13 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

- (a) The Company's Hong Kong share registrar is Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (b) The company secretary is Mr. Lee Yip Wah, Peter, a practising solicitor in Hong Kong.
- (c) The Company's accountant, Mr. Lau Chung Kwok Robert, is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and a member of the Canadian Institute of Chartered Accountants.
- (d) The English text of this circular and form of proxy shall prevail over the Chinese text in the case of any inconsistency.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's Head Office at Room 4107, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, from the date of this circular up to and including the date of the EGM.

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the financial year ended 31 December 2003;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 15 of this circular;
- (d) the letter from Somerley dated 4 October 2004, the text of which is set out on pages 16 to 25 of this circular;
- (e) the consent letter from Somerley referred to in the section headed "Expert and consent" in this appendix; and
- (f) Sumitomo Cement Supply Agreements; Profit Pool Cement Supply Agreement; and Fuel Diesel and Lubricant Oil Purchase Agreements.

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)

(Stock Code: 712)

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, 20 October 2004 at 49th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

Dongguan Cement Transactions (as defined and described in the circular of the Company dated 4 October 2004 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 Dongguan Cement Transactions.”

2. “**THAT:**

Zhanjiang CR Cement Transactions (as defined and described in the circular of the Company dated 4 October 2004 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 Zhanjiang CR Cement Transactions.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. “**THAT:**

Oil Products Transactions (as defined and described in the circular of the Company dated 4 October 2004 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 Oil Products Transactions.”

By Order of the Board

Shi Shanbo

Director

Hong Kong, 4 October 2004

Registered office:

P.O. Box 309GT

Ugland House

South Church Street

George Town

Grand Cayman

Cayman Islands

Head office and principal place of business in Hong Kong:

Room 4107, 41/F

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 Hong Kong branch share registrars and transfer office of the Company, Standard Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjournment thereof. Completion and return of the form of proxy will not preclude members from subsequently attending and voting in person at the meeting or any adjourned meeting.